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Survey on financial needs and access to finance of EU agricultural enterprises

European Commission

European Investment Bank

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Available at:

www.fi-compass.eu/publication/market-analysis/survey-financial-needs-and-access-finance-eu-agricultural-enterprises.

Glossary and definitions

Abbreviation	Full name
CAP	Common Agricultural Policy
CATI	Computer-Assisted Telephone Interviewing
DG AGRI	Directorate-General for Agriculture and Rural Development
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EIB	European Investment Bank
EU	European Union
NACE	Statistical Classification of Economic Activities in the European Community
SAFE	Survey on the access to finance of enterprises
SMEs	Small and medium-sized enterprises
UAA	Utilised Agricultural Area

Table of contents

Introduction

This document offers an overview of financial needs and access to credit for EU agricultural enterprises. An analysis of the agriculture sector's performance, financial landscape, future projections and responses to climate change, alongside distinctions for farms of various sizes, farmer age groups and different macro-sectors reveals valuable insights. These insights, in turn, have implications for ways public support can be channelled.

The report is based on in-depth data from a Computer-Assisted Telephone Interviewing survey (CATI) in the first half of 2023 relating to input (financial) data for 2022. The questionnaire was developed by the Directorate-General for Agriculture and Rural Development (DG AGRI) and the European Investment Bank (EIB) under the fi-compass technical assistance platform. More than 6 550 farmers responded from 24 EU Member States (EU-24): Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

This study follows a previous survey conducted under fi-compass in 2018[1] of input (financial) data for 2017. This was the first study to fill the information gap about farmers' financial needs and there is still no systematic analysis of access to finance for farmers in the EU. Results from the 2018 survey were also used for another fi-compass study[2] published in 2020. This provided an in-depth analysis of the financial landscape for agriculture and agri-food enterprises in the EU-24, as well as an estimate of the financing gap for the two sectors.

Since 2020, the economic and financial context has been affected by major events such as the COVID 19 pandemic in 2020 and 2021 along with, more recently, the Russian invasion of Ukraine. Consequences of the latter, especially the energy crisis, have produced significant impacts on farmers. Many agricultural enterprises have faced substantial hurdles, including considerable increases in production costs along with reduced revenues.

Ahead of the launch of the new CAP Strategic Plans at the beginning of 2023, DG AGRI and the EIB decided to conduct this new analysis under fi-compass to offer EAFRD managing authorities and all stakeholders in the sector first-hand information on the evolution of the financial environment for farms in the EU.

The report is structured as follows:

- Section 1 (this section) is the Introduction;
- Section 2 focuses on agricultural financial needs, investigating key difficulties of the previous year, the type of financing applied for, reasons for not applying, what the finance was used for and key reasons banks refused applications;
- Section 3 assesses future expectations of financial needs for farms;
- Section 4 presents the experience of farmers concerning the impact of climate change on their operations, as well as their approach and barriers to investments enhancing environmental sustainability and climate resilience for their farms;
- Section 5 compares statistics on: farm manager age (under or over 40 years old); farm size, considering the Utilised Agricultural Area (UAA) and distinguishing between small farms (< 20 hectares), medium farms (20 to 100 hectares) and large farms (>100 hectares); farm manager gender; and the macro-sectors of non-perennial crops, perennial crops, animal production and mixed farming;
- Section 6 offers conclusions;

1 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.
2 fi-compass (2020). Financial needs in the agriculture and agri-food sectors in the European Union.

- Annex I includes the questionnaire used for the CATI survey;
- Annex II describes the methodology used to obtain the statistics.

To offer a complete overview of the financial needs and access to credit conditions of the agriculture and agri-food sector, this publication is complemented by two additional analytical reports published under fi-compass:

- A 'Survey on financial needs and access to finance of EU agri-food micro, small and medium-sized enterprises', which analyses the financial environment for EU food processing SMEs, based on a CATI in the first half of 2023 with a sample of 2 359 agri-food SMEs in the EU-24[3];
- A factsheet 'Financing gap in the EU agricultural and agri-food sectors'[4], which includes an update of the estimate published in 2020[5], based on the 2023 surveys.

3 Available at: https://www.fi-compass.eu/publication/market-analysis/survey-financial-needs-and-access-finance-eu-agri-food-micro-small-and-medium-sized-enterprises.
4 Available at: https://www.fi-compass.eu/publication/market-analysis/financing-gap-eu-agricultural-and-agri-food-sectors.
5 fi-compass (2020). Financial needs in the agriculture and agri-food sectors in the European Union, available at: https://www.fi-compass.eu/eafrd/fi-compass-study-financial-needs-agriculture-and-agri-food-sectors-24-eu-member-states.

01 Key farm characteristics

This section analyses farm structures based on the survey results, including activity sub-sectors, number of years in operation, owner age, gender of the manager/owner and farm size[6].

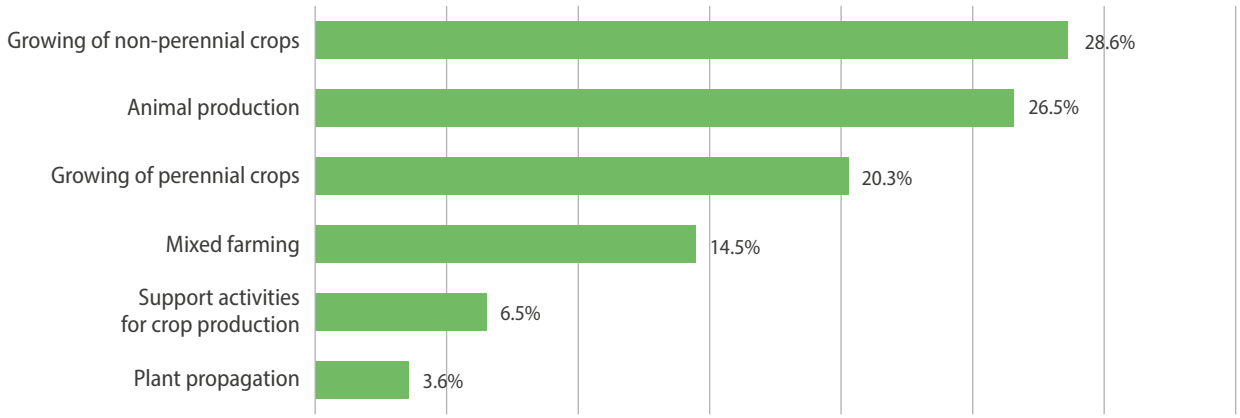
Key findings

- Most agricultural enterprises (29%) specialise in non-perennial crops, with over half of these (54%) focusing on cereals;
- Animal production (27%) is the second most frequent macro-sector, where dairy cattle represents the largest share (35%);
- Young farmers (under 40 years old) make up 18% of farm managers, while 24% are 60 or older;
- For the majority of farms (76%), the managers are males;
- Most farms (89%) have been in operation for more than 5 years;
- The majority of enterprises (73%) are small farms, 21% are medium-sized and 6% large.

Roughly half the farms specialise in crop production, followed by animals (27%) and mixed farming (15%).

The main activity is classified using the Statistical Classification of Economic Activities in the European Community (NACE)[7]. Approximately 29% of the farms focus on non-perennial crops, while nearly 27% specialise in animal production, 20% in perennial crops and 14% in mixed farming. An additional 10% indicated their main activity is plant propagation or support for crop production (Figure 1.1). These results are in line with Eurostat farm specialisation data, according to which, in 2020, 58% of EU agricultural holdings specialise in crops, 22% in livestock and 19% in mixed farming[8].

Figure 1.1: Main activity of the agricultural enterprises according to survey results



Source: Own calculations based on question Q.1a, see Annex I.

6 In this report weights are calculated across multiple dimensions, e.g. farm size, farmer's age, farm sector and applied to the survey data to correct for sample profile differences from the population distribution published by Eurostat. Differences in the sample profile and population distribution weighting might lead to less precision in survey estimates. To mitigate this, outlying weights were trimmed. Therefore, the weighted survey results will deviate slightly from the Eurostat population figures. However, this deviation is expected to have a minimal impact on the survey outcomes due to the relatively small deviations post weighting and the relatively weak relationship between the profiling variables used for weighting and the survey outcomes.

7 European Commission (2008), NACE Rev.2- Statistical classification of economic activity in the European Commission, Eurostat Methodologies and Working Paper, (Online). Available at https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF.

8 Data refer to 2020, see Eurostat 'Agri-environmental indicator - specialisation', Eurostat Statistics Explained.

Crop producing farms specialise in cereals, dairy cattle dominate animal production (Figure 1.2).

For farm specialisation, most (54%) non-perennial crop production concerns cereals, followed by vegetables, melons, roots and tubers (29%). In terms of animal production, dairy cattle has the largest share (35%), while poultry (16%) and swine/pig (10%) production are less significant. For perennial crops, grapes dominate (30%), followed by pome and stone fruits (19%). In mixed farming, the majority of farms engage in animal production (78%) and growing non-perennial crops (66%), with perennial crops being less prevalent (33%).

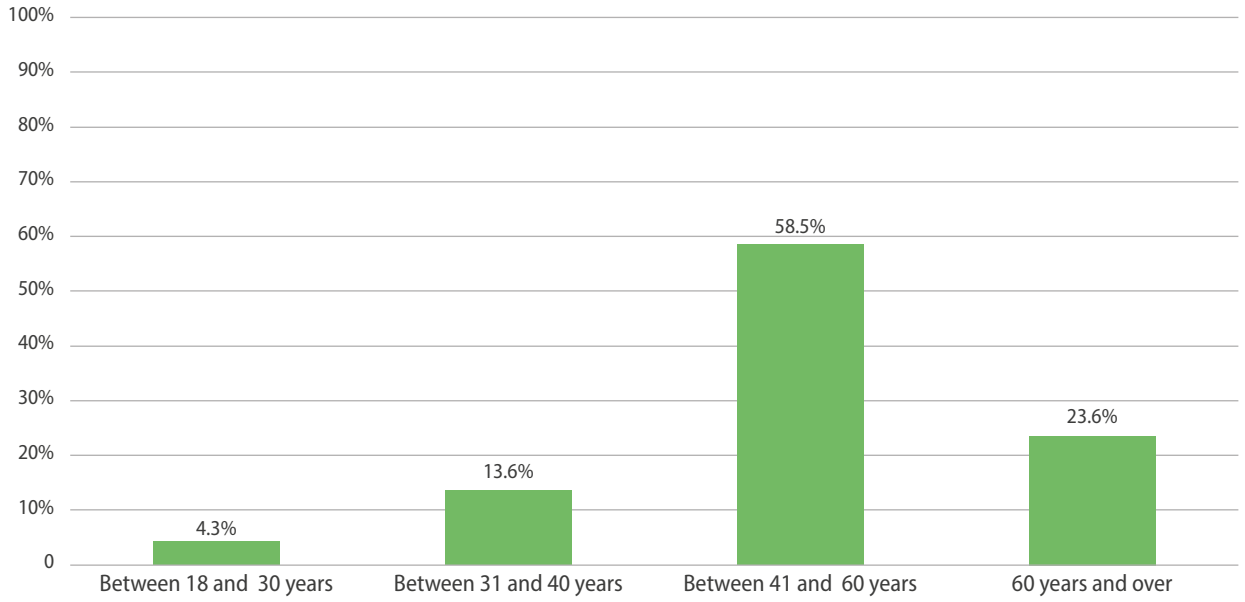
Figure 1.2: Specialisation of farm activities according to survey results

Source: Own calculations based on questions Q.1b-Q.1e (multiple answers possible), see Annex I.

Most farm managers (82%) are over 40, while 18% are below 40.

The majority of farm managers (around 60%) are 41 to 60 years old, while approximately 24% are 60 years or older (Figure 1.3) Young farmers, below 40 years old according to EU regulations, make up only 18%.

Figure 1.3: Farm manager age according to survey results



Source: Own calculations based on question Q.5b, see Annex I.

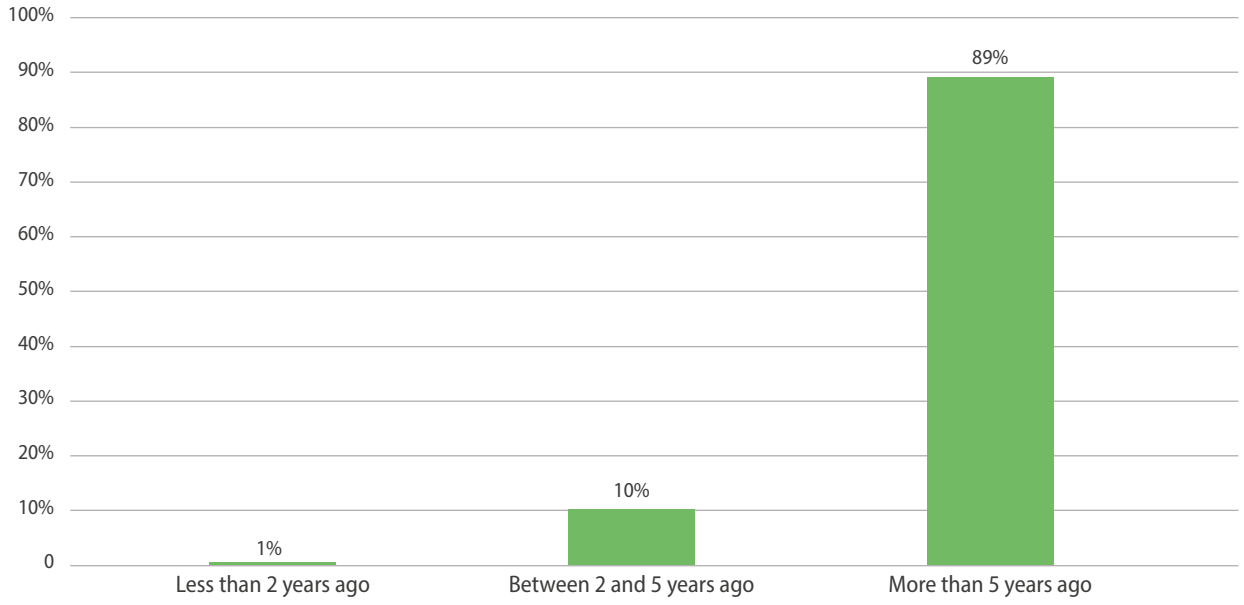
Professional farming is largely dominated by males, only 24% of respondents were women.

Slightly more than three quarters (76%) are male farm managers. This is in line with Eurostat data, according to which 68% of farm managers on the EU's 9.1 million holdings were male in 2020[9].

Most farms (89%) have been operating for more than 5 years (Figure 1.4). Around 10% were established between 2 and 5 years ago and only 1% are less than 2 years old.

9 Data refer to 2020, see Eurostat Farmers and the agricultural labour force - statistics.

Figure 1.4: Farm age since year of establishment according to survey results

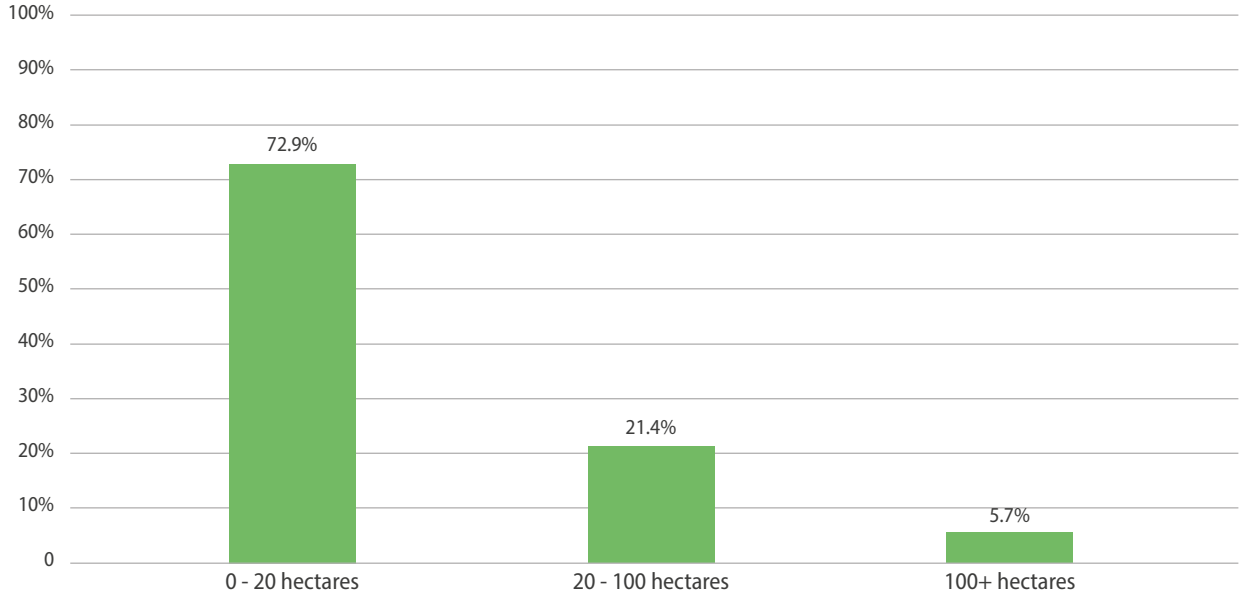


Source: Own calculations based on question Q.7b, see Annex I.

The farm distribution shows a dominance of small-scale holdings.

As shown in Figure 1.5, the majority of farms (73%) are small (0-20 ha), 21% are medium-sized (20-100 ha) and 6% are large(100+ ha).

Figure 1.5: Farm's size distribution according to survey results



Source: Own calculations based on question Q.3b, see Annex I.

02 The financial needs of agricultural enterprises

This section analyses the financial needs of EU farms in 2022 focusing on the type and scope of financing they applied for, the results of applications, reasons for bank rejections, links to CAP/EAFRD financial support, economic difficulties for farmers such as the Russian invasion of Ukraine and the energy crisis, as well as details of finance received including amount, maturity and interest rate.

Key findings

Performance and difficulties in the previous year:

- In 2022, 33% of agricultural enterprises saw less turnover than the previous year, while only 28% increased turnover;
- In the same period, 83% of agricultural enterprises encountered higher production costs, whereas only 6% experienced a decline from the previous year;
- 46% of farmers raised their selling prices, whereas 20% saw a decline. Another 31% could not raise their prices;
- The Russian invasion of Ukraine with the subsequent energy crisis negatively affected 92% of agricultural enterprises through higher fuel and energy costs, while 83% saw higher input costs (e.g. for raw materials, seeds, fertilisers, labour, etc.).

Demand for financing:

- Medium-term loans (13.3%) followed by short-term loans (9.4%) are the most commonly sought-after forms of bank financing for EU farms, while long-term lending remains less accessible;
- Agricultural enterprise applications for bank loans (short-, medium- and long-term) and leasing notably increased from 16.6% in 2017 to 22.7% in 2022. Reliance on resources provided by family members or friends decreased slightly;
- Around 14% of farms did not apply for finance due to a fear of possible rejection, which is an increase from the 10% registered in 2017;
- Trends from 2017 to 2022 show improved loan approval rates, with a substantially decreased rejection rate (from 14% to 4%), and a slight increase in refusals of offers by farmers (from 2% to 5%). This indicates a positive evolution of the lending environment;
- For approved loans, 55% were to expand production capacity or efficiency and 34% to increase working capital;
- Unsuccessful loan applications were predominantly linked to land purchase and climate-related investments.
- Around 29% of loans were linked to CAP/EAFRD financial support, particularly in Central and Eastern European Member States;
- Internal policies are the primary reason banks reject farmers' loan applications. However, it seems banking sector risk aversion has diminished since 2017.

2.1 Performance and difficulties in the previous year (2022)

The majority (83%) of agricultural enterprises are facing considerable increases in production costs, but less than half (46%) could pass these on to consumers through higher prices.

As shown in Figure 2.1, a staggering 83% of agricultural enterprises reported increased production costs. This indicates a widespread and problematic issue affecting the entire sector. Similarly, 92% of the agri-food enterprises suffered higher production costs[10]. The majority of these (64%) experienced significant increases. Several factors contributed to this rise across the EU including higher labour costs, increased energy prices and general inflation.

The proportion of farmers experiencing some increase in production costs varied between Member States (Figure 2.4) from 73% in Estonia and 96% in Ireland. Conversely, significantly fewer witnessed decreasing costs, with the most in Romania (10%) and Lithuania (8%) and the least in Czechia where no one reported a decrease.

While production costs have risen for most farmers, a considerable proportion (51%) have not managed to increase their selling prices. Interestingly, 20% of farmers suffered a decrease in selling prices despite the high inflation environment, considerably more than the agri-food industry, where only 6% reported a decrease[11]. This could be due to weaker bargaining power within the value chain (especially for small farmers), as well as external factors such as market dynamics, cost fluctuations, imports, etc. Market pressure, including through global events, intensified competition, market saturation, or changes in consumer preference, can lead to lower demand or downward pressure on prices. This directly impacts farmers' ability to adapt and raise prices adequately, leading to lower profit margins and jeopardising the financial sustainability of farmers.

Across Member States, different market pressures on farmers' profit margins can be detected through the discrepancy between increased production costs (Figure 2.4) and a corresponding increase in selling prices (Figure 2.3). Bulgaria lies at one end of the spectrum, with 90% of agricultural enterprises seeing increased production costs, while merely 26% managed to adjust their selling prices. In contrast, Denmark had a relatively balanced scenario, where the 75% of farmers experiencing higher input costs aligns with 69% being able to raise their selling prices.

Many agricultural enterprises reported turnover difficulties, 33% indicated a decrease from the previous year, with half experiencing a significant fall. Another third only managed to keep their turnover at the previous year's level.

Difficulties to increase turnover might be attributed to reduced market demand, lower sales, difficulties to access a changing market affected by various crises, imports and decreased or disrupted exports. Despite such difficulties, 28% of agricultural enterprises managed to increase their turnover compared to the previous year, while turnover remained more or less unchanged for 34% (Figure 2.1).

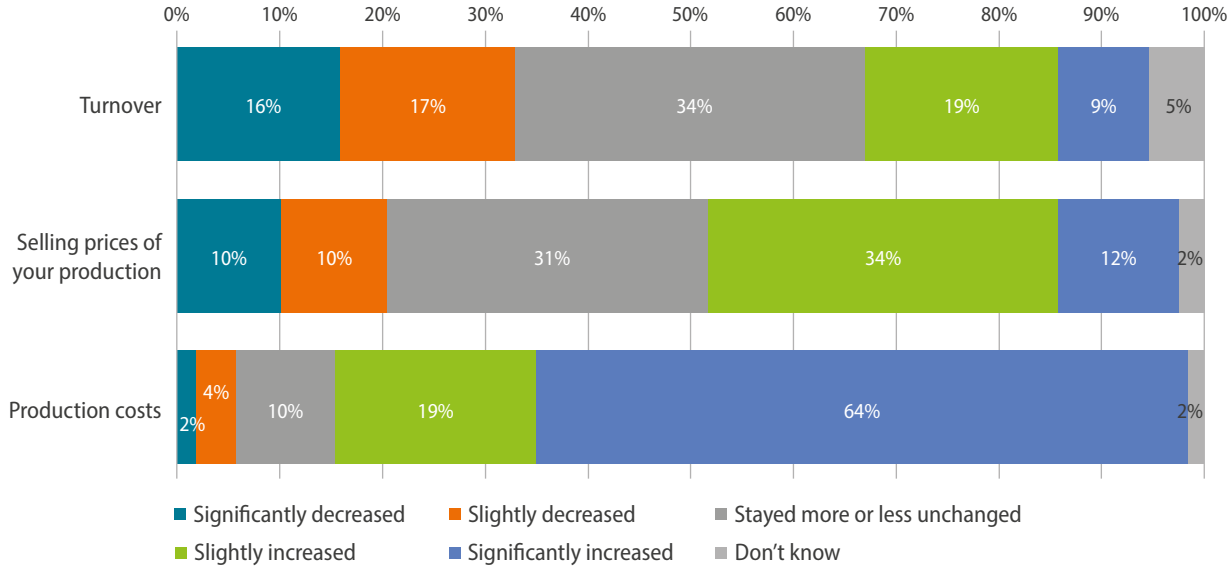
Very high inflation rates in several Member States have caused a shift in consumer spending, impacting agri-food commodities as well[12]. Simultaneously, higher production costs and uncertainty surrounding input prices for the upcoming season could have encouraged some farmers to store their production, anticipating future price increases. This has further driven up commodity prices, impacting market demand and consequently turnover growth.

10 fi-compass (2023): Survey on financial needs and access to finance of EU agri-food micro, small and medium-sized enterprises.
11 fi-compass (2023): Survey on financial needs and access to finance of EU agri-food micro, small and medium-sized enterprises.
12 European Commission (2023): Short term outlook for EU agricultural markets in 2023 (Spring 2023).

At country level (Figure 2.2), Denmark and the Netherlands agricultural enterprises had the largest turnover increase, by 56% and 51% respectively. Conversely, Bulgaria stands out with over half the farmers reporting decreased turnover. Romania, Italy, and France also fall below the EU average, with over one third of farmers facing such difficulties.

In Bulgaria, for instance, the decrease in turnover can be attributed primarily to two factors. Firstly is the decline in crop yields after unfavourable weather, including the summer drought in 2022. Secondly, there was a significant reduction in exports (e.g. 81% for maize and 76% for barley compared to the previous year). This was due to falling export prices from increased competition in the Black Sea market[13].

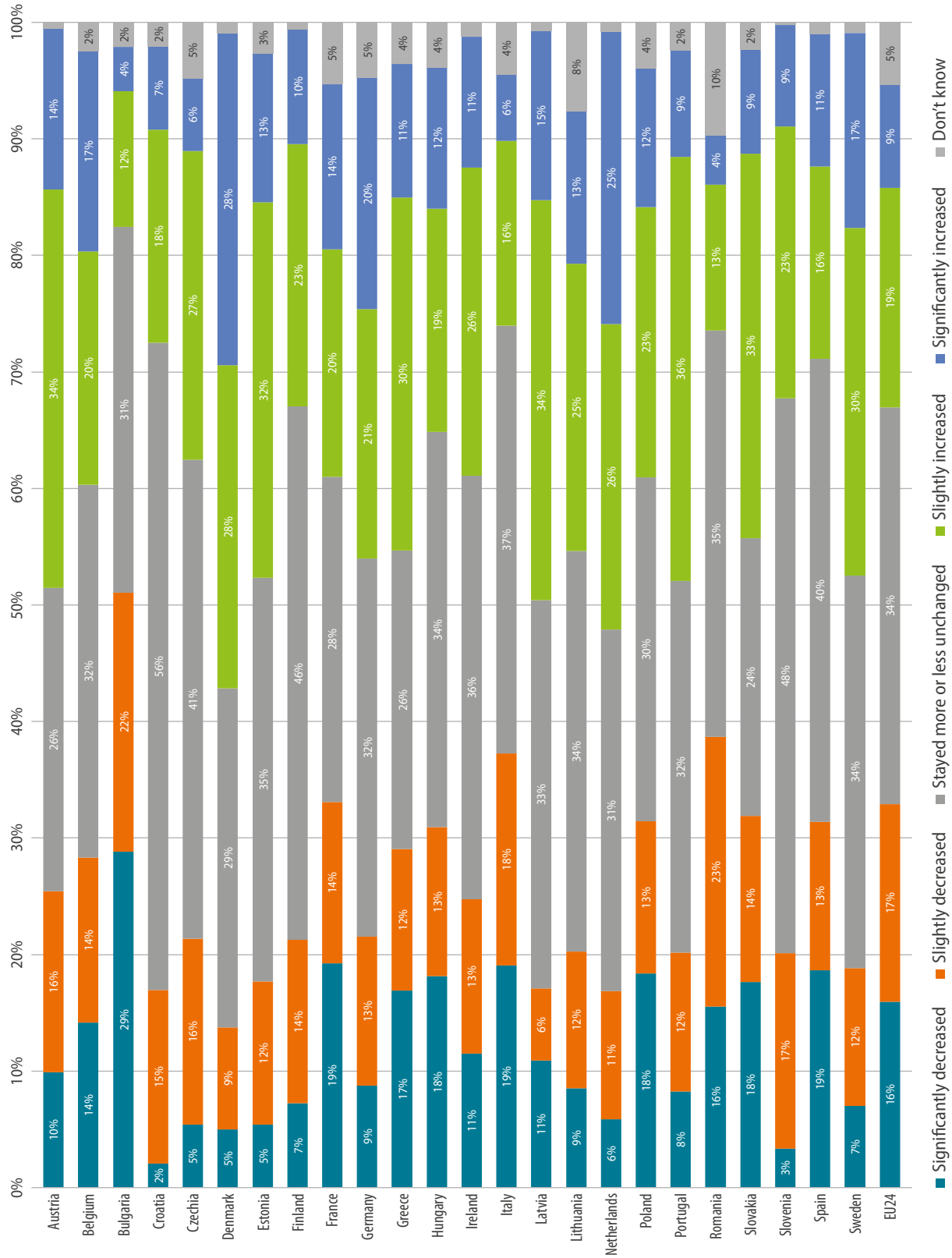
Figure 2.1: Changes to key indicators from the previous year (2022)



Source: Own calculations based on question Q.8, see Annex I.

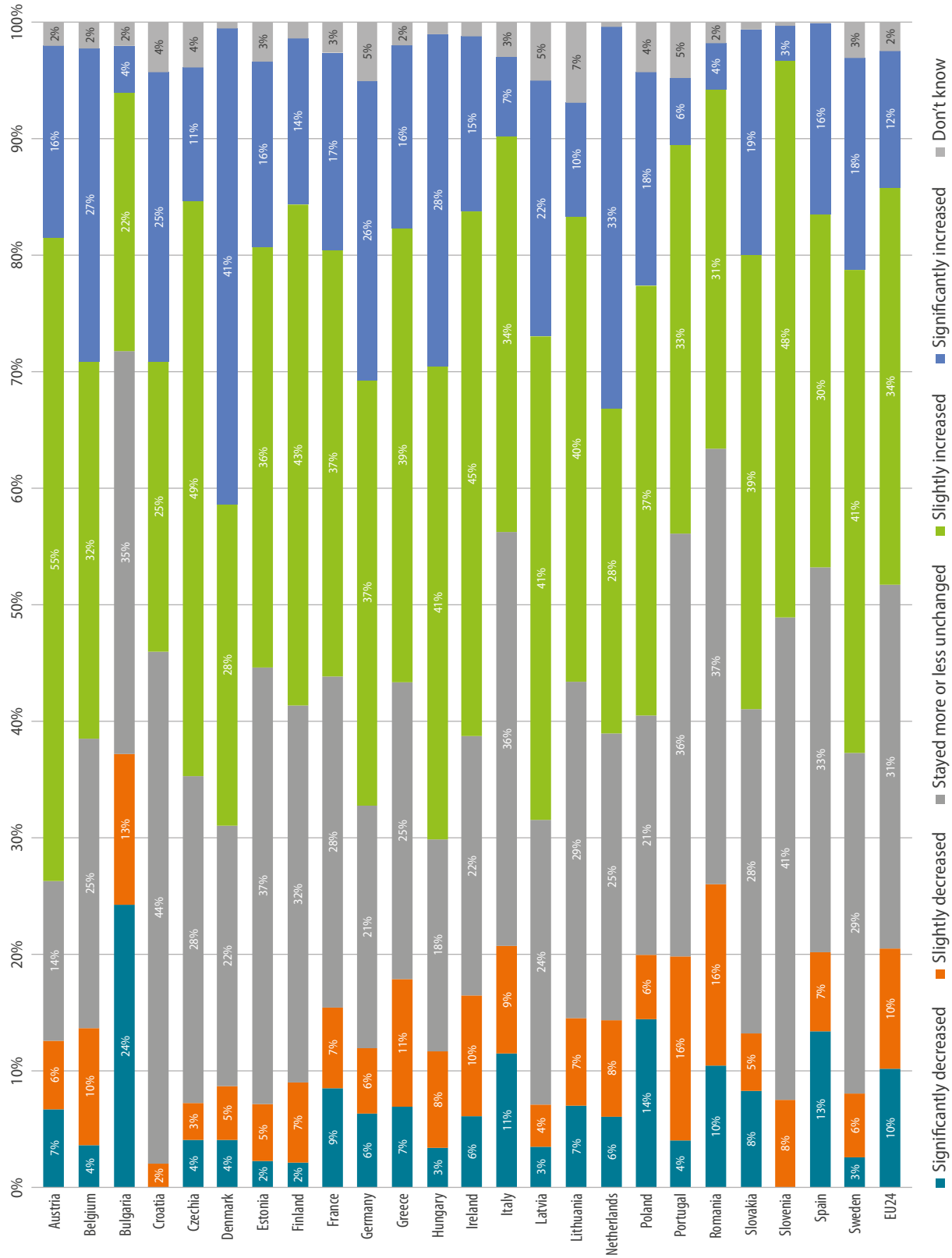
13 USDA (2023): Grain and Feed Market Update.

Figure 2.2: Changes to key indicators from the previous year (2022): turnover



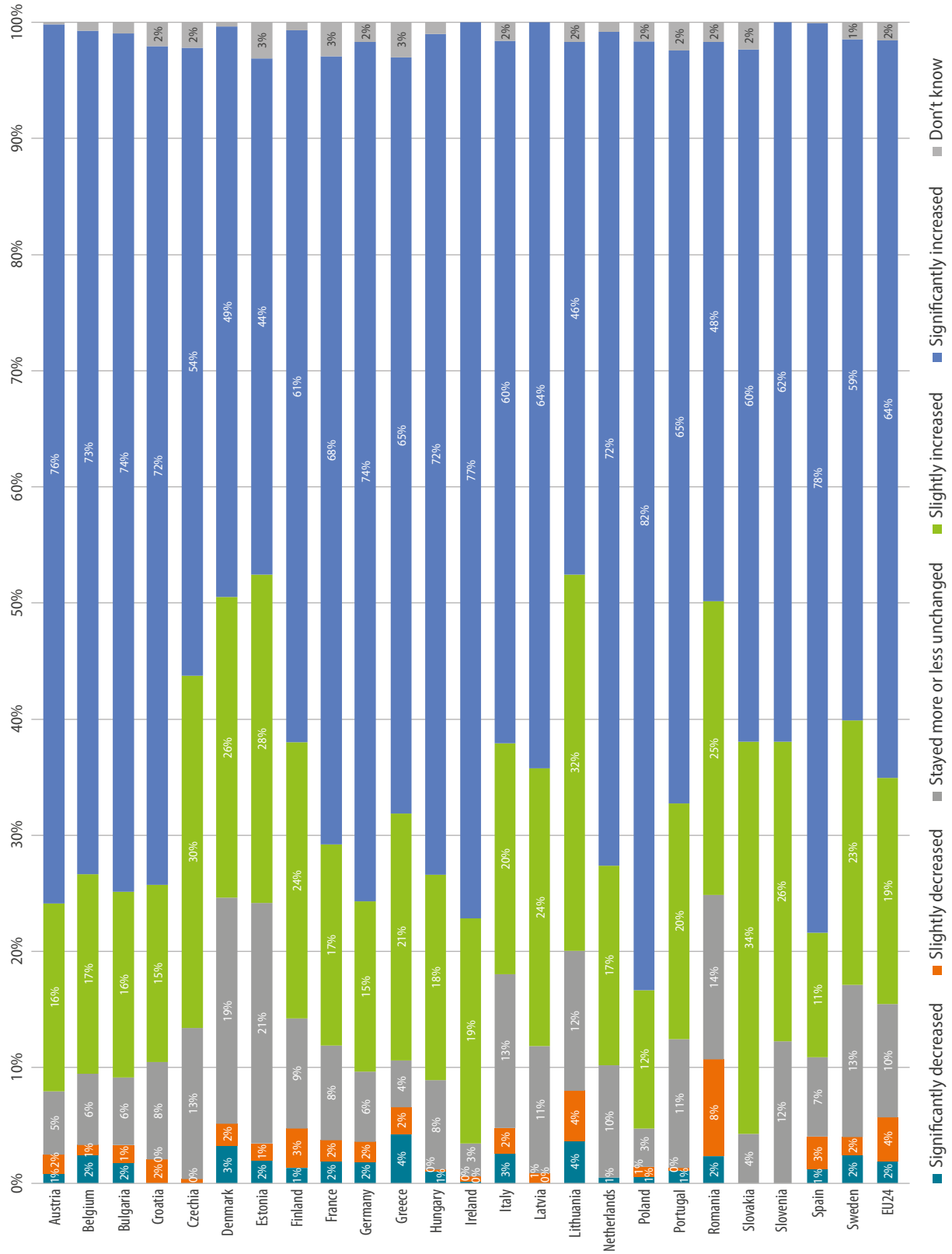
Source: Own calculations based on question Q.8, see Annex I.

Figure 2.3: Changes to key indicators from the previous year (2022): selling prices of production



Source: Own calculations based on question Q.8, see Annex I.

Figure 2.4: Changes to key indicators from the previous year (2022): cost of production



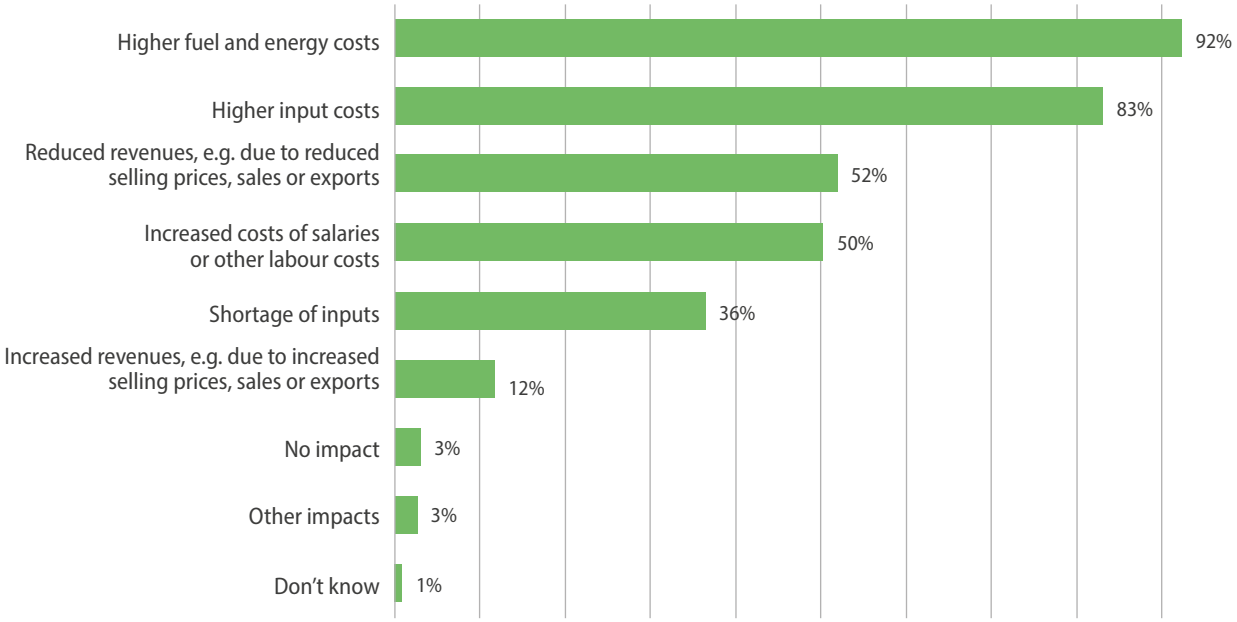
Source: Own calculations based on question Q.8, see Annex I.

The survey highlights hurdles faced by EU farms due to the Russian invasion of Ukraine and the resulting energy crisis, leading to increased costs and reduced revenues for many farms.

The vast majority of EU farms experienced higher fuel and energy costs (92%) as a direct impact of the Russian invasion of Ukraine and the resultant energy crisis (Figure 2.5). Most farms reported higher input costs (83%), while a third faced a shortage of inputs (36%). Additionally, about half reported increased labour costs (50%) and reduced revenue (52%). Only a small proportion increased revenue (12%), indicating a more challenging situation for most EU agricultural compared to non-farming businesses.

The Russian invasion of Ukraine disrupted energy supplies, particularly natural gas[14] which is a crucial resource for many agricultural operations including heating, machinery and transportation. As a result, the limited availability of energy may have forced some farmers to rely on alternative and more expensive options such as diesel or alternative fuels. This substantial increase in fuel and energy costs directly affected operational expenses, squeezing profit margins and putting financial strain on the sector as a whole. The higher input costs reported by 83% of farms can also be attributed to increased prices for fertilisers, pesticides and other agricultural inputs that farmers rely on, especially for energy-intense manufacturing or transportation. Increased labour costs with attributed social payments also impact farms' costs.

Figure 2.5: Impact of the Russian invasion of Ukraine on EU farmers in 2022



Source: Own calculations based on question Q.9 (multiple answers possible), see Annex I.

The variations regarding higher fuel and energy costs suggest some Member State-specific differences in the severity of the impacts. However, the overall results demonstrate a consistent pattern across EU 24 Member States. Those seeing increases in such costs range from 68% in Slovenia to as high as 98% in Ireland, with most Member States between 87% and 96%.

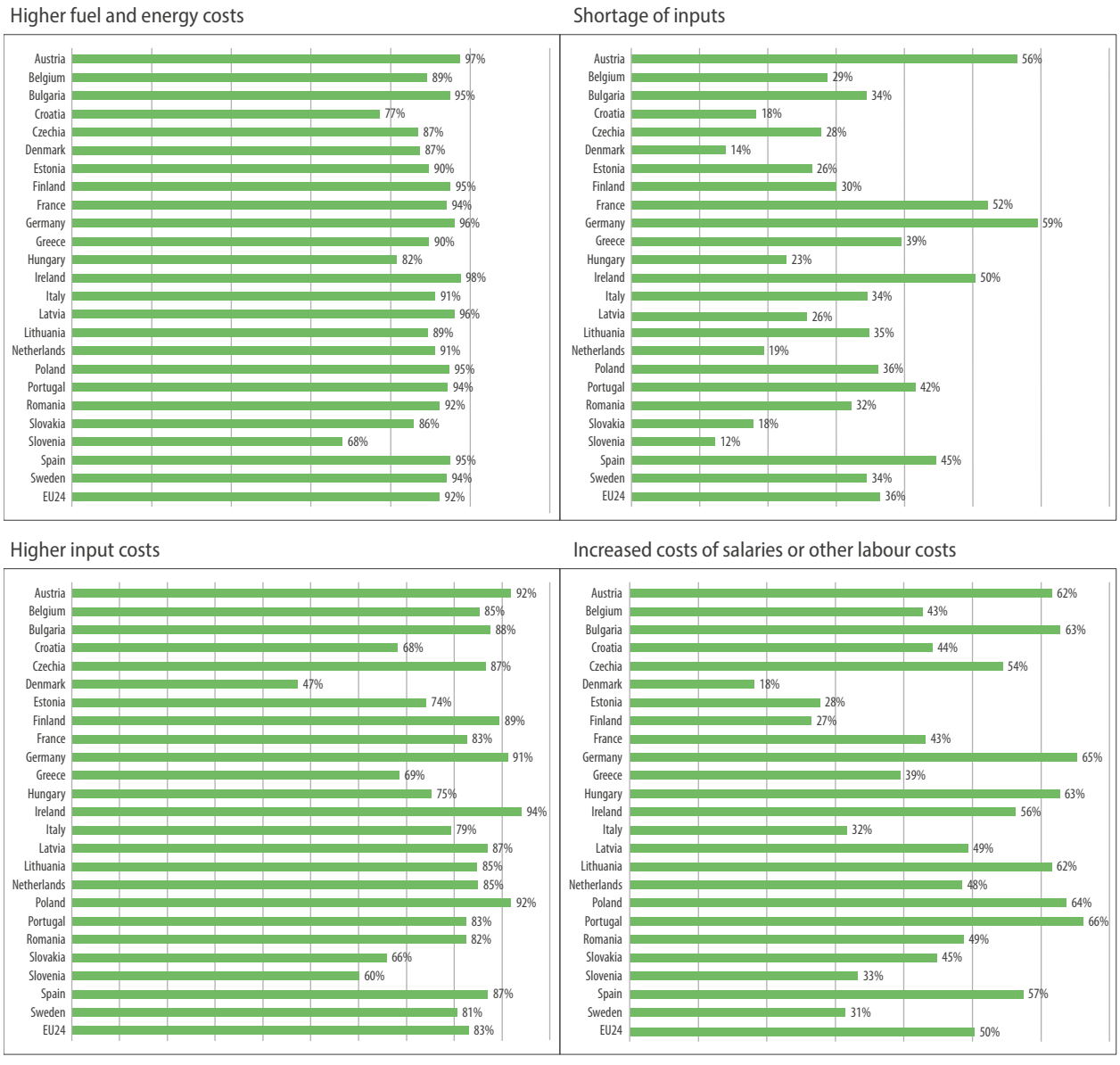
In contrast, input costs, shortage of inputs, increased labour costs and reduced revenues, vary more between Member States. Denmark appears to be least affected by these, consistently reporting lower increases in these categories.

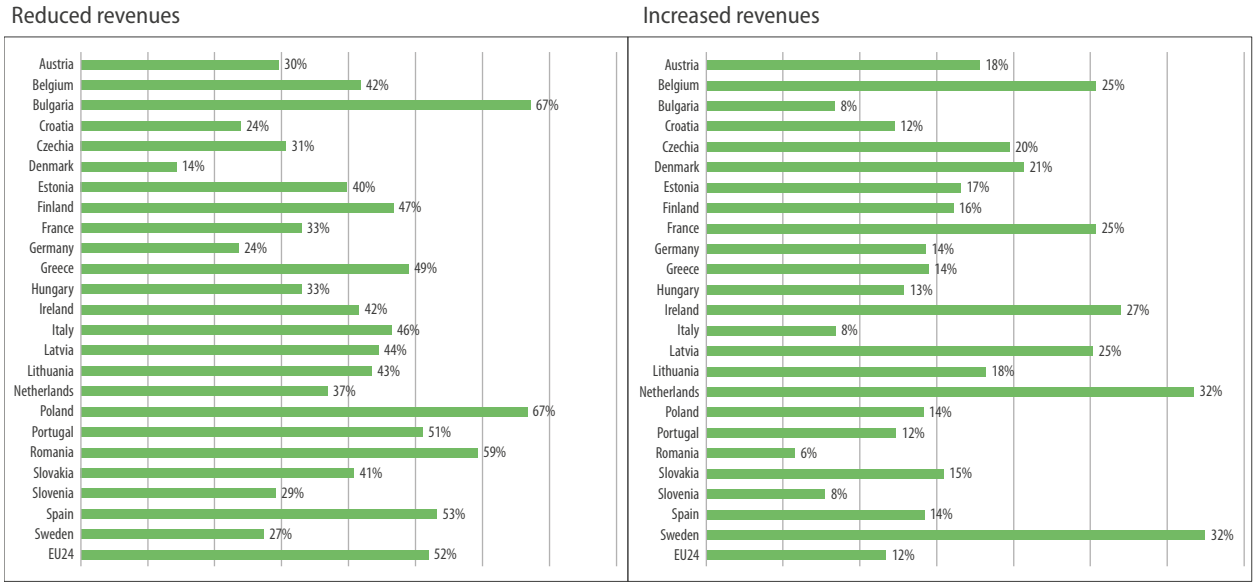
14 European Commission (2022): Short term outlook for EU agricultural markets in 2022 (Summer 2022).

Surprisingly, shortage of inputs was felt strongly by 50-59% of all farmers in well-developed agricultural economies (Germany, Austria, France and Ireland). At the same time, where farmers typically have stable contractual relationships with processors for their production, revenues have grown the most, by 25-32% (Netherlands, Sweden, Belgium, France, Ireland and even Latvia; Figure 2.6).

Labour costs changed unequally across the EU and were more volatile compared to input and energy/fuel costs. To a certain extent they reflect the dynamics behind increases in certain seasonal payments and minimum salaries in each Member State as well as general inflation. At the same time, these costs have grown by more than 44% for eighteen Member States. This is additional evidence of the pressure on farmers regarding their overall production costs, as they are unable to increase their selling prices to maintain or improve their margin.

Figure 2.6: Share of farms experiencing difficulties due to the Russian invasion of Ukraine, by Member State





Source: Own calculations based on question Q.9 (multiple answers possible), see Annex I.

2.2 Demand for financing

The survey reveals a range of financing options for EU farms in 2022, with investment or medium-term loans (13.3%), and short-term loans (9.4%) being the most commonly sought after.

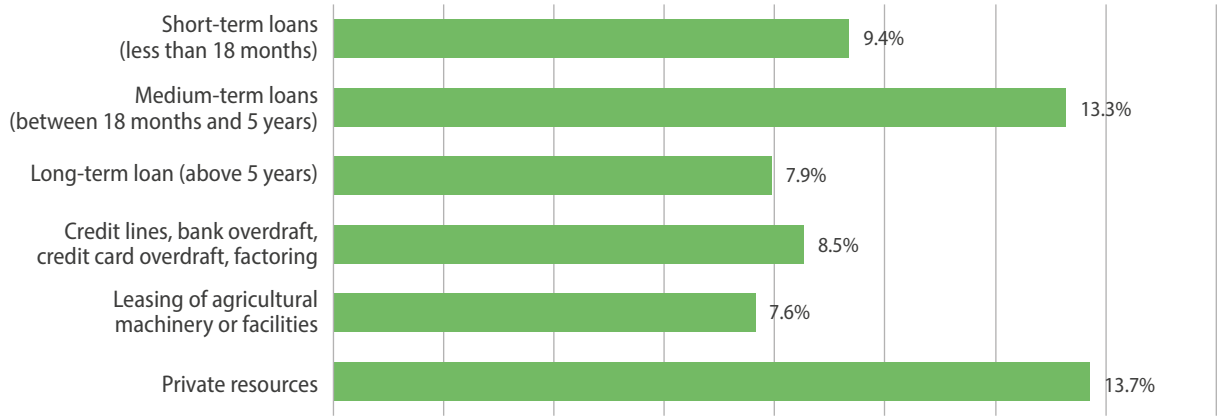
Short-term loans were applied for by 9.4% of the farms, indicating a need for immediate financial support to address operational requirements such as purchasing inputs, managing cash flow and meeting unforeseen expenses (Figure 2.7). Investment or medium-term loans (18 months to 5 years) were sought by 13% of the farms and long-term loans (over 5 years) by 7.9%. While short-term loans are generally used for working capital, medium- and long-term loans generally finance investments in infrastructure, equipment and technology to enhance productivity and efficiency.

Credit lines, overdrafts, credit cards and factoring were used by 8.5% of the farms. These provide flexible access to funds and may assist in managing day-to-day financial needs.

Agricultural machinery leasing or similar facilities were chosen by 7.6% of the farms, indicating considerable demand for assets – in particular agricultural machinery – through leasing rather than outright purchases.

Farmers in Austria, France, Ireland and Spain, in particular, have a consistently high reliance on external finance across various categories including short-, medium- and long-term loans, as well as credit lines and leasing for agricultural machinery. In contrast, Romanian agricultural enterprises indicated difficulties to access market finance and less use of all the options examined in the survey, except for private finance (Figure 2.8).

Figure 2.7: Percentage of farms applying for finance in the previous year (2022), by product



Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

A considerable share of farmers (13.7 %) sought support from personal funds, friends, or relatives in their network. Private resources provide flexibility and autonomy in managing finances, allowing farmers to maintain control over their business and access capital without the constraints of traditional lending institutions. However, this might indicate a necessity rather than a choice, due to a lack of access to bank finance or an inability to reach a business development stage that would ensure such access, particularly among smaller agricultural enterprises. This also shows there may be informal relations and hidden debt. The reliance on private resources by agricultural enterprises decreased only modestly from 2017 (from 14.8% to 13.7%)[15].

The share of agricultural enterprises seeking finance from private individuals (Figure 2.9) generally played a more important role in 2022 in Baltic and Eastern European Member States. Latvia stands out with a high percentage of farms (31%), followed by Bulgaria (20%), Romania (17%), Portugal (14%) and Czechia (12%) where more agricultural enterprises (Figure 2.9) rely on private resources (solely or in addition to bank financing). In these five countries private individuals are by far the most important source of finance, ranging from 20% in Czechia to 40% in Latvia (figure 2.8).

External financing for agricultural enterprises increased considerably from 2017 to 2022, reducing the gap with SMEs in other sectors (figure 2.8).

There has been notable growth in the share of farms that applied for short-term loans (from 5.3% to 9.4%), investment or medium-term loans (from 6.2% to 13.3%), and long-term loans (5.9% to 7.9%) compared to the previous survey in 2018[16].

Overall, 22.7% of agricultural enterprises relied on external financing from banks in 2022 compared to 16.6% in 2017. This was a considerable increase, contrasting the trend for SMEs in other sectors. Notably, the SAFE survey reveals that in 2022, 21% of all SMEs applied for bank loans[17]. So, recent trends have closed the historic gap between agriculture and SMEs in other industries. However, the SAFE indicator is calculated over six months, while the responses to this survey cover the last 12 months. The corresponding indicator for the agri-food sector[18], also calculated over 12 months, notes that 39.7% of agri-food enterprises applied for bank financing in 2022.

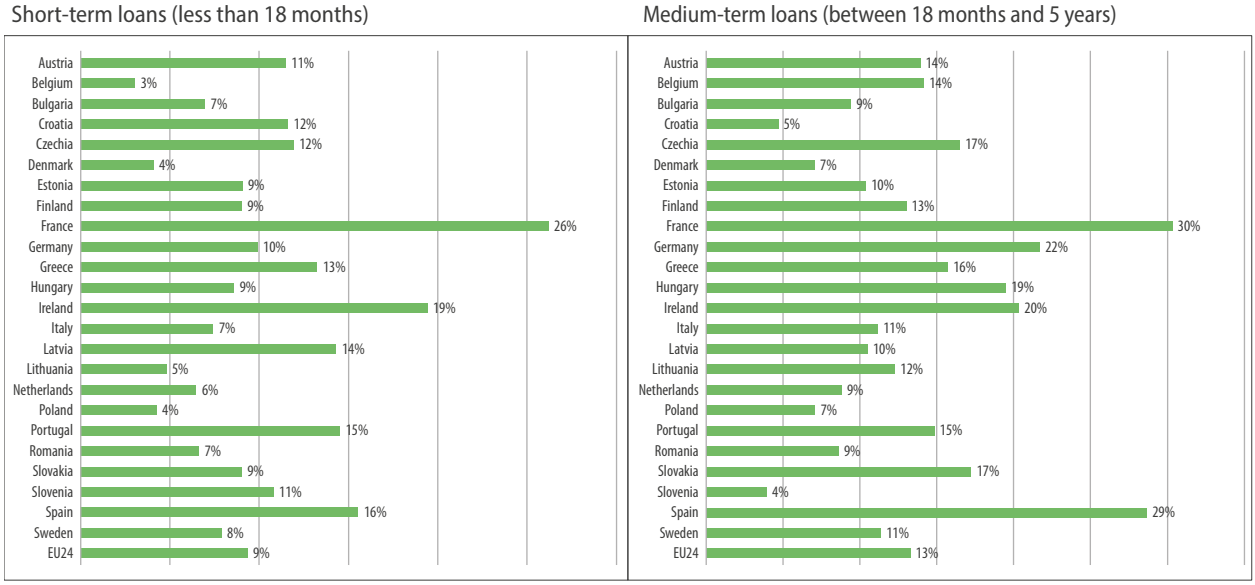
15 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.
16 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.
17 European Central Bank (2022). Survey on the access to finance of enterprises (SAFE, March 2022-August 2022), pp. 37-41. The SAFE statistic covers March-August 2022, while this report refers to all of 2022. The SAFE survey covers enterprises that indicated specific bank products relevant to them, including enterprises from the industry, construction, trade and service sectors, while the EIB survey covers only agri-food enterprises. The SAFE survey also covers EU-27, while the EIB survey covers only EU-24.
18 fi-compass (2023). Survey on financing needs and access to finance of EU agri-food enterprises.

Based on the SAFE survey[19], the perception of access to finance has remained relatively stable from 2018 to 2023, though SMEs reported increased demand for external financing during that period. For SME external financing needs, the SAFE survey indicates a decline in demand for bank loans only briefly in 2019. Here the share of SMEs with decreased financing needs outweighed those experiencing an increase over a six-month period. However, aside from this instance, the trend grew, with the highest incremental changes in the second half of 2020 for both bank loans and credit lines with another peak in the second half of 2022 for credit lines.

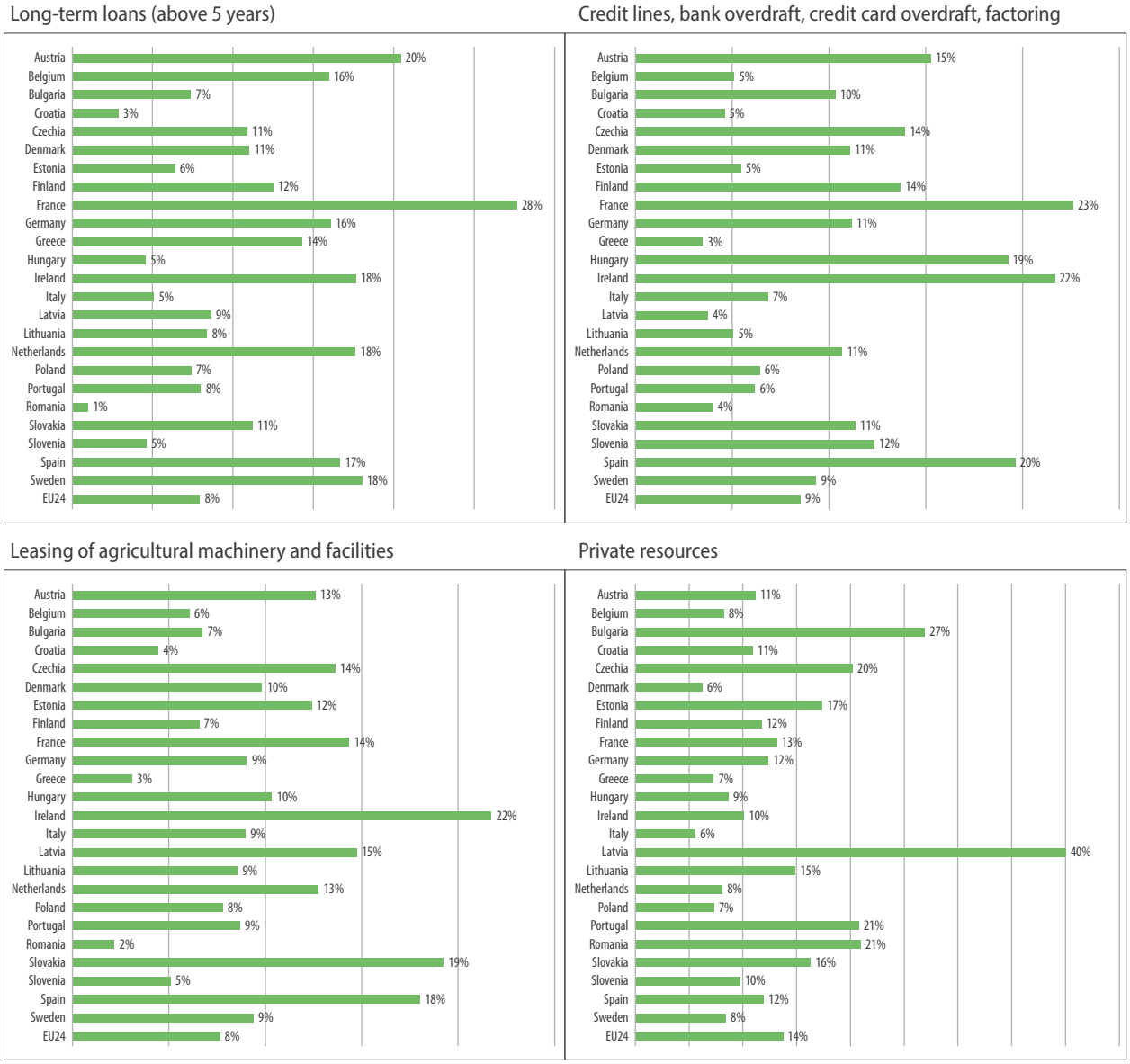
From 2018 to 2023, firms used financing primarily for investments in tangible assets, inventory and working capital. Based on the SAFE survey[20], SME fixed investment financing fluctuated. There was a decrease in 2020 from 2019, followed by an increase in 2021 and another decrease in 2022. However, the beginning of 2023 showed a renewed upward trend. In contrast, working capital financing increased in 2020 but has been decreasing since then.

These trends can be attributed, in part, to the COVID-19 outbreak when businesses focused more on immediate liquidity. This is evidenced by Gross Fixed Capital Formation in the agriculture sector[21]. In 2018, the agricultural sector in the EU-24 invested EUR 54.9 billion in fixed assets, which increased to EUR 56.5 billion in 2019 but decreased in 2020 to EUR 54.6 billion. However, as farms gradually recovered from the immediate impacts of the pandemic, they may have regained their confidence in making investments and seeking loans to expand their operations or upgrade their infrastructure, even in the face of increasing interest rates in 2022 and 2023.

Figure 2.8: Distribution of agricultural enterprises applying for various types of finance, by product



19 European Central Bank (2022). Survey on the access to finance of enterprises (SAFE).
20 European Central Bank (2022). Survey on the access to finance of enterprises (SAFE).
21 European Commission, Agri-food Data Portal, CAP Indicators (https://agridata.ec.europa.eu/extensions/DashboardIndicators/DataExplorer.html).

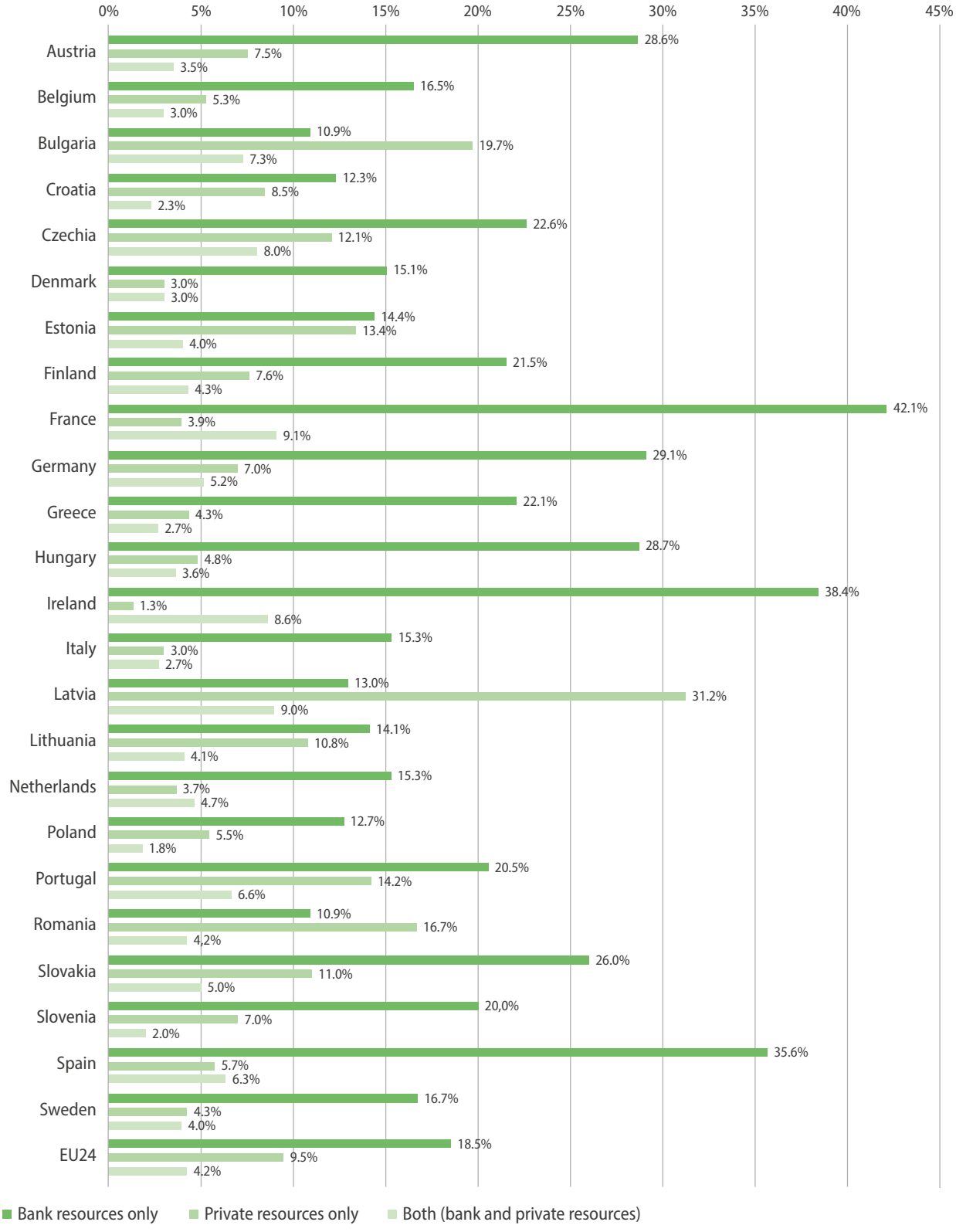


Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

On average, 19% of the agricultural enterprises relied solely on bank financing with considerable differences between Member States (Figure 2.9).

France had the highest proportion of farms relying only on bank resources (42%), indicating a strong dependence on formal financial institutions for funding and well-established relations. Additionally, France had a relatively low share of farms using private resources only (4%). In Ireland, similar to France, a significant percentage of farms (38%) used bank resources only, with an extremely low reliance on private resources only (1%), but a notable proportion (9%) using both bank and private resources.

Figure 2.9: Percentage of farms that applied only for bank finance, only for private resources, and for both in the previous year (2022), by Member State



Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

In 2022, for the EU-24 in general, only a small share of agricultural enterprises used private resources to complement external market finance (Figure 2.9).

At the EU-24-level, the use of both bank and private resources by agricultural enterprises was minimal (4%). In most cases, when enterprises relied on private financing, it was their sole funding source (10%).

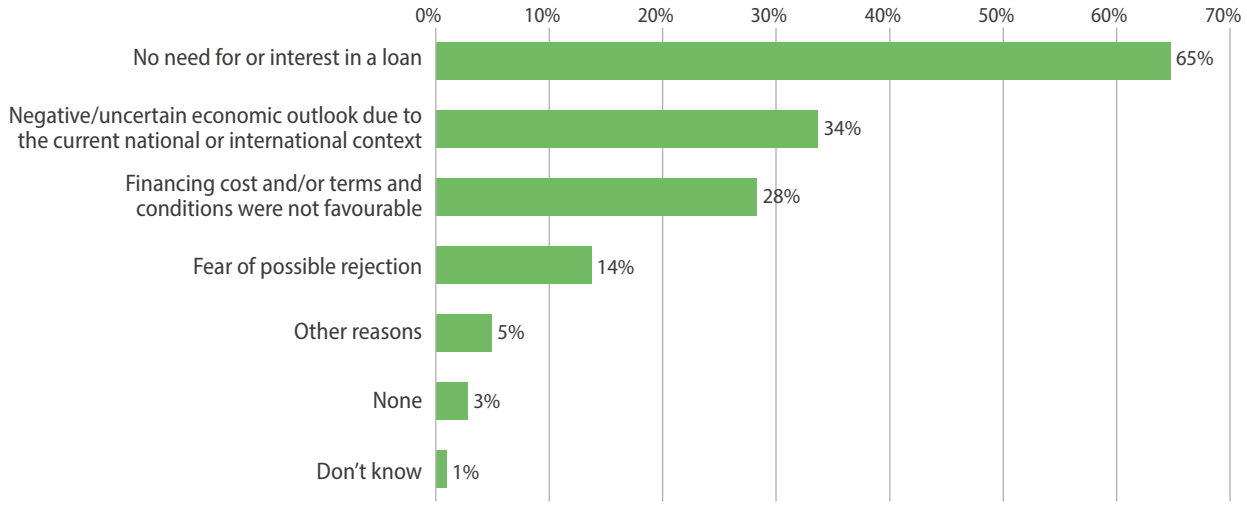
Almost two thirds of farmers (65%) that did not apply for loans indicated the lack of need or interest in loans as the main reason.

About 65% of the farmers cited no need for, or interest in, a loan as the primary reason for not applying for loans[22] (Figure 2.10). Additionally, a considerable share of agricultural enterprises expressed concerns related to the negative or uncertain economic outlook (34%). A slightly smaller proportion mentioned unfavourable financing costs and/or terms and conditions (28%), followed by a fear of possible rejection (14%). By way of comparison, the 2018 survey showed that 75% of farmers did not apply for loans due to sufficient internal/own funds, 10% due to fear of rejection, and another 10% as a result of an existing loan.

The fear of rejection increased from 10% in 2017 to 14%.

The fear of rejection is an important indicator, since it captures a potential demand for finance which does not materialise due to a lack of confidence from the entrepreneurs. This is considered an indication of a market failure and is normally included in the financing gap estimate[23]. A fear of rejection might be due to a farmer's lack of financial knowledge, negative previous experience in approaching banks or a lack of experience and difficult communication between farmers and the banking system. The ongoing closure of bank branches in villages or small (rural) towns, combined with a shift to online banking accentuate the loss of personal contact between farmers and bank officers understanding the specifics of agricultural businesses. This may impact on whether farmers decide to apply for a loan or not. While it is easier and less costly to apply for a bank loan online, the speed of this digitalisation and the changing economic environment may create a psychological barrier preventing small farmers or people in isolated areas from being active in the lending market. A lack of specialised bank offices with staff understanding agricultural matters may also affect the number of non-financed farmers in the EU.

Figure 2.10: Key reasons for not applying



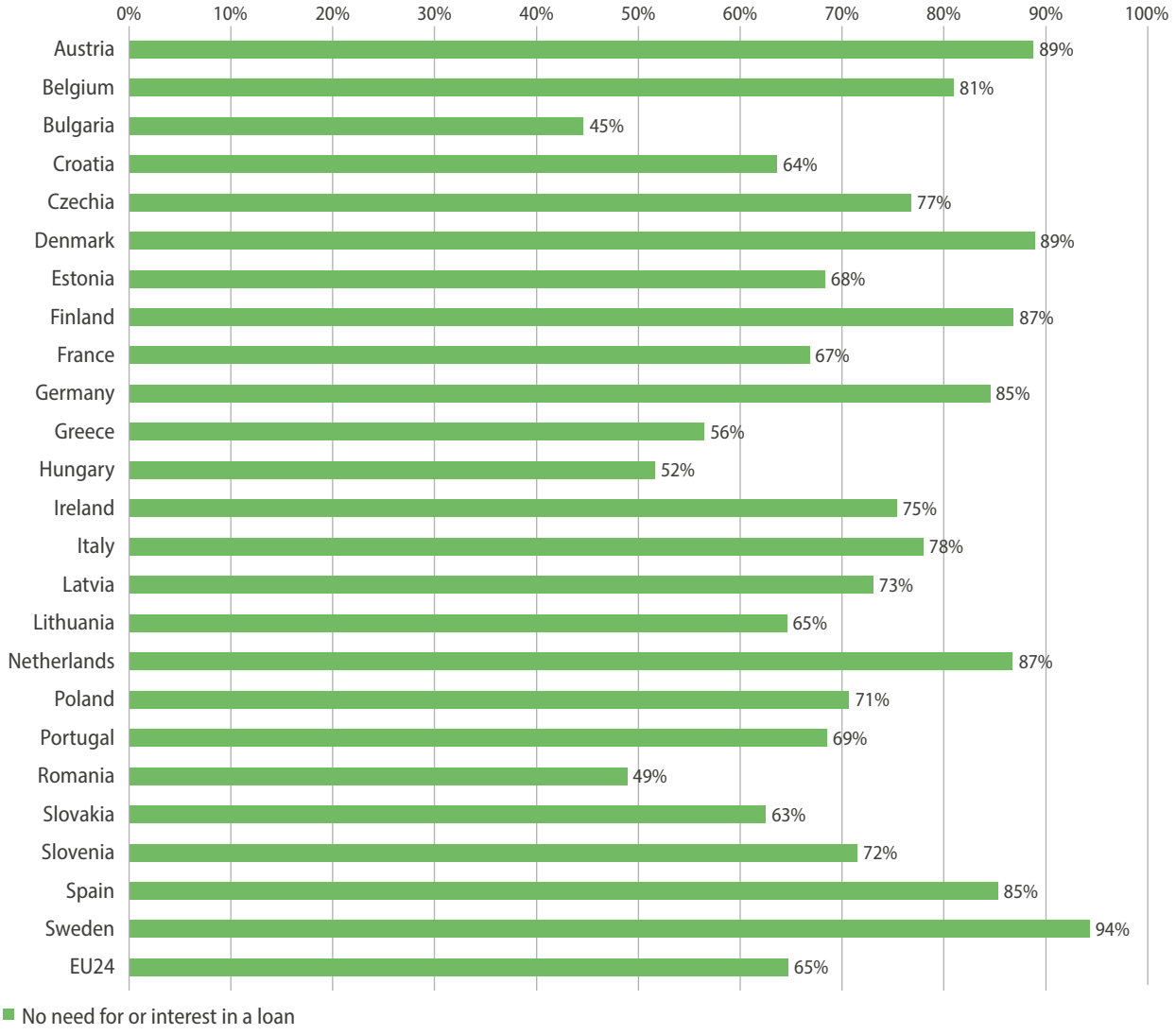
Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

22 Including short-term, investment or medium-term, long-term loans, credit lines, bank overdraft, credit card overdraft and factoring.
23 fi-compass (2020). Study on financial needs in the agriculture and agri-food sectors in 24 EU Member States.

The share of farms with no need or interest in a loan is higher in Western and Northern Member States.

There is considerable variation among countries regarding 'no need for or interest in a loan' as the primary factor for not applying for loans compared to the EU-24 average of 65% (Figure 2.11). There are higher percentages in Sweden (94%), Austria (89%), Denmark (89%), the Netherlands and Finland (87% each), with lower shares in Bulgaria (45%), Romania (49%), Hungary (52%) and Greece (56%). In general, there is a higher share of farms with no need or interest in a loan in Western and Northern European Member States and lower in Central and Eastern European Member States. Member States in Southern Europe fall in between. The high percentage of farmers with no need or interest in a loan could be attributed to various factors (in addition to the previous discussion), such as postponing or downsizing planned investments, as well as alternative financial sources for the investments, or uncertainty about the future. In crisis years, it is also more likely that farmers in a stable economic situation opt for bank finance while the rest, especially smaller farmers, may not be willing to risk their own assets and savings.

Figure 2.11: Percentage of farms not applying for lack of need or interest (by Member State), total for short-term, medium-term, long-term loans, and credit lines



Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

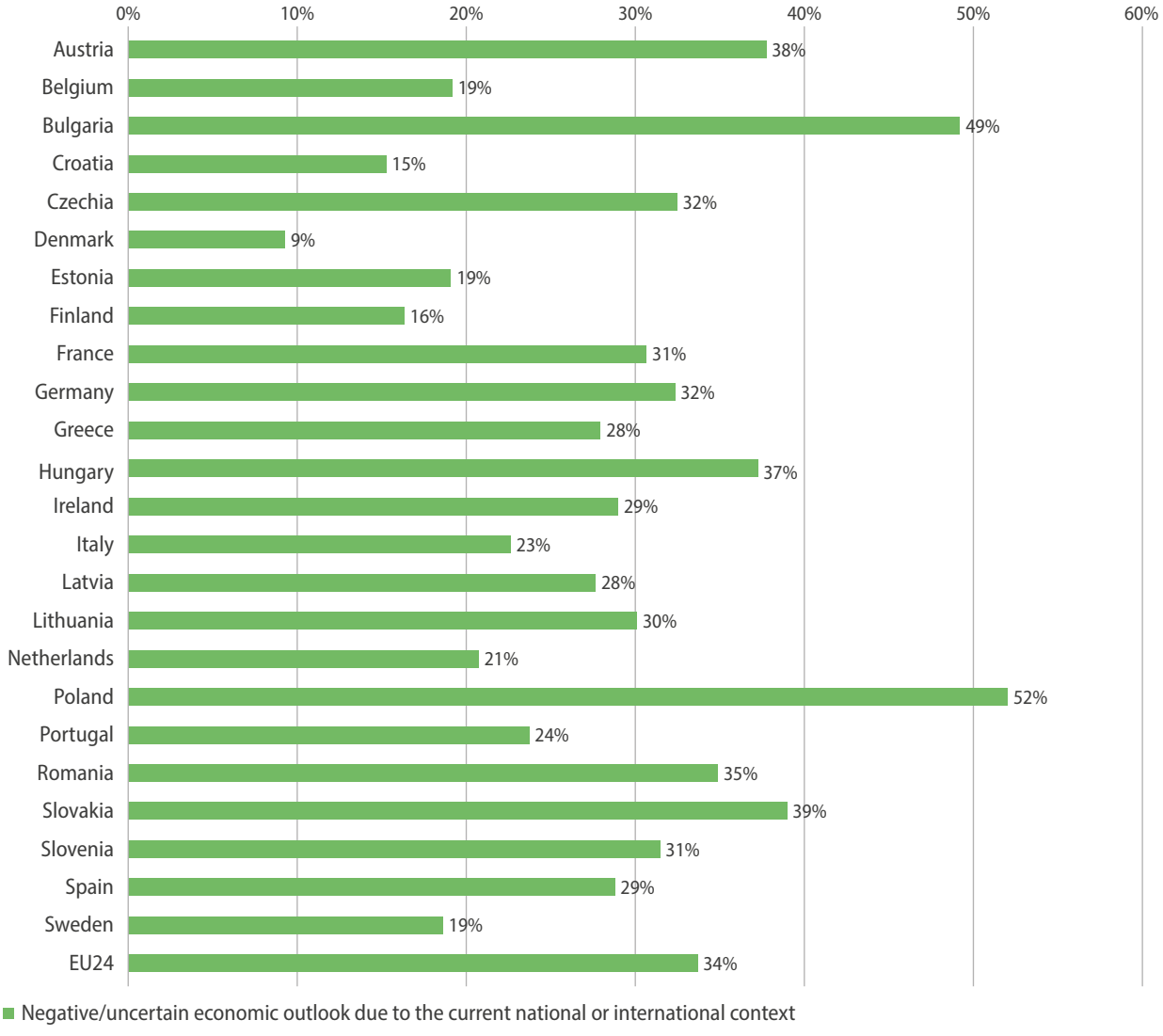
Loan applications were impacted by the negative or uncertain economic outlook.

As shown in Figure 2.12, Poland (52%) and Bulgaria (49%) had the most concerns, while in Denmark (9%) the importance of this factor was much more limited. There were highly negative perceptions in Slovakia (39%), Austria (38%), Hungary (37%) and Romania (35%). Not surprisingly, these countries are more exposed to Ukrainian agricultural exports and the war.

Concerns regarding the negative or uncertain economic outlook could be linked to global economic conditions and the on-going war, market volatility, or specific challenges faced by the agricultural sector in each Member State. These concerns might have led farmers to adopt a more cautious approach and avoid taking on additional financial obligations.

Nevertheless, despite the global economic environment, EU-24 farms applied more for financing compared to 2017.

Figure 2.12: Percentage of farms not applying due to negative/uncertain economic outlook (by Member State), total for short-term, medium-term, long-term loans, and credit lines

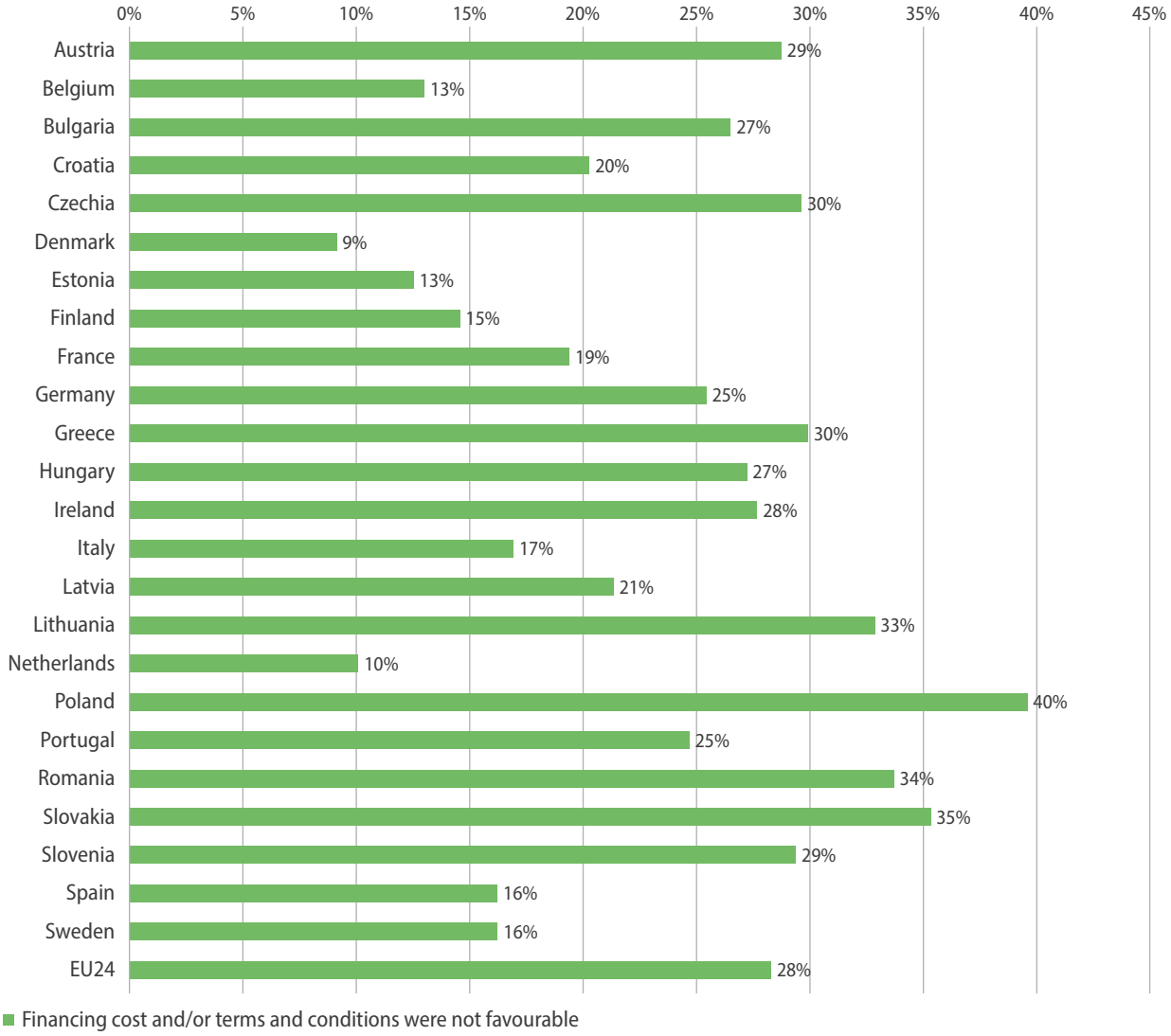


Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

The perception of unfavourable financing costs and/or terms and conditions as a deterrent for loan applications was a frequent reason for those not applying for loans in 2022 (28%).

Poland (40%), Lithuania (33%) and Romania (34%) have the highest share of farmers citing this factor across the EU-24 (Figure 2.13). Conversely, Denmark (9%), the Netherlands (10%) and Spain (16%) had the lowest proportions. These indicate that the perceived cost and conditions of loans play a crucial role in loan application decisions, with farmers in some countries more dissatisfied in this regard. Factors influencing these perceptions include high interest rates, stringent loan requirements (including banks' demands for own contribution), complex documentation processes, lack of market guarantees to compensate for lower value assets and sometimes a lack of awareness of more favourable financing options.

Figure 2.13: Percentage of farms not applying due financing cost and/or unfavourable terms and conditions (by Member State), total for short-term, medium-term, long-term loans, and credit lines

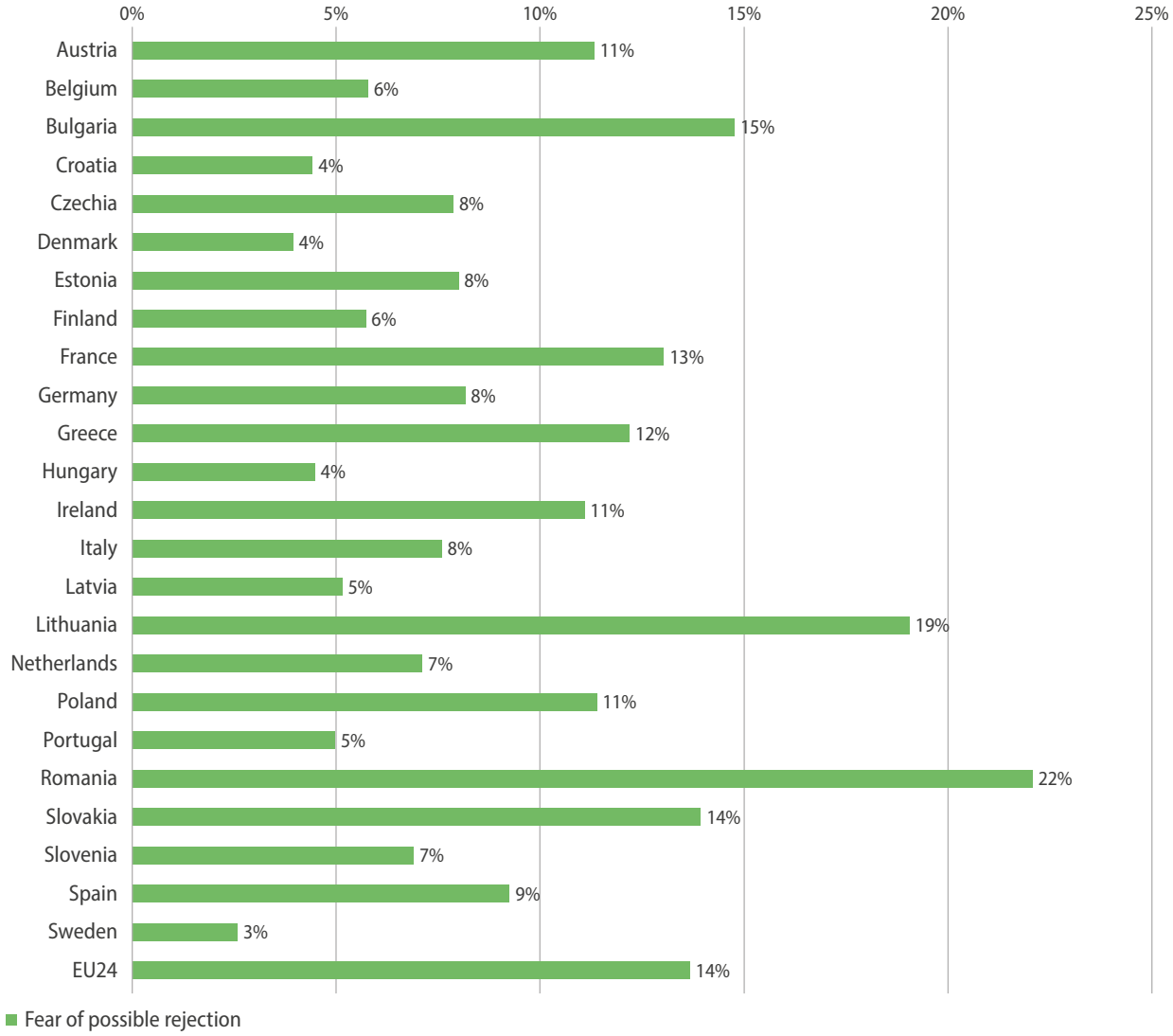


Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Fear of possible rejection varies considerably between Member States.

As mentioned above, the proportion of agricultural enterprises refraining from applying due to a fear of rejection increased from 10% in 2017 to 14% in the present survey. The percentages vary across Member States (Figure 2.14). Romania (22%), Lithuania (19%), and Bulgaria (15%) have higher shares of agricultural enterprises that did not apply because of fears of possible rejection. Conversely, Sweden (3%), Denmark (4%), and Croatia (4%) had fewer such fears. Apprehension about loan rejection differs across Member States, possibly influenced by factors such as the perception of stricter loan approval processes, less confidence in meeting loan requirements and a lack of proper bank officer-farmer relations. The variations may also reflect differences in the financial landscape, access to credit and cultural attitudes towards borrowing in each Member State.

Figure 2.14: Percentage of farms not applying for fear of rejection (by Member State), total for short-term, medium-term, long-term loans, and credit lines



Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Applications for finance that were considered but not submitted by farmers due to external factors such as an uncertain economic outlook, excessive financing cost or fear of rejection (Figure 2.10) show a potential demand for finance. This might be addressed by positive market developments or public policy actions. For this reason, the intended purposes of potential loan applications could give interesting insights into the future evolution of loan demand in the sector.

Loan application outcomes from 2017 to 2022 show higher approval rates, a considerable decrease in rejections and a slight increase in loans refused by the farmers, reflecting positive changes in the lending environment and farmers' decision-making.

Loan approval rates in 2017 and 2022 differed substantially. In 2022, the share of loan applications approved for the full amount requested increased to 82% from 76% in 2017, while partially approved applications remained relatively stable at 4%. At the same time, rejections decreased from 14% in 2017 to 4% in 2022. However, the number of farms facing rejection remained high due to a significant increase in the number of loan applications[24]. Additionally, the share of loans not accepted by farmers increased slightly from 2% to 5% and pending applications remained the same at 5% (Figure 2.15).

The higher success rate for fully approved loan applications in 2022 suggests an improved lending environment with more likelihood of securing financing for agricultural enterprises compared to 2017. The large decrease in the rejection rate indicates financial institutions may have become more lenient in evaluating loan applications, farmers have improved the quality of their applications or they are more selective in their loan requests. The latter also means that farmers are more certain their application would succeed and have applied for a loan. The increase in applications not accepted by farmers could reflect a shift in their preferences, or higher interest rates.

The trend indicates similarities in outcomes for short-term, investment and medium-term, as well as long-term loan applications, with notable improvements in approval rates. Credit lines, bank and credit card overdrafts had a high approval rate, as in 2017.

Short-term loan applications, which probably reflect a demand for working capital, experienced the highest acceptance rate, with 84% of applications fully approved and an additional 5% approved at least partially.

Since COVID-19 the demand for working capital finance has risen, as adverse weather conditions and extreme climate events, together with inflation and high energy prices have substantially hindered the sector's development.

Only 3% of EU-24 farmers' short-term loan applications were rejected by banks and another 4% were still waiting for a response at the time of the survey (Figure 2.15). There was a significant decrease in the rejection rate compared to 2017, when almost 16% of short-term loan applications were rejected. The high rate of fully approved short-term loan applications may reflect more confidence in financial institutions regarding the financial viability of agricultural enterprises and their ability to repay loans within the shorter timeframe. Additionally, the streamlined nature and lower risk profile of short-term compared to long-term loans may make them more appealing to lenders. Furthermore, the requirements and criteria for short-term loans, which are often tied to specific operational needs and cashflow cycles, including the receipt of subsidies from the EU budget and programmes, may align with financial stability and planning for farms, increasing their chances of approval.

For medium-term loans, the majority of applications (79%) were fully approved, with an additional 4% receiving partial approval. While the success rate has improved since 2017, it is slightly lower compared to short- and long-term loans.

Banks rejected 5% of medium-term loan applications, with 5% still pending at the time of the survey (Figure 2.15). As with short-term loans, the results confirm a considerable improvement on 2017 when 14% of medium-term loan applications were rejected. However, medium-term loans had the highest share of farms refusing a loan offer from the bank (7%), which explains the slightly lower success rates.

24 The estimated financing gap for agriculture increased since 2017. fi-compass (2023). Financing gap in the EU agricultural and agri-food sectors.

Long-term loans show a similar trend to short-term and investment/medium-term loans, with a high percentage of fully approved applications (82%) and low rate of bank rejections (4%).

The partial approval rate was 4%, whereas applications not accepted and still pending were 6% and 5%, respectively (Figure 2.15). In 2017 only 71% of loan applications were fully approved, while 16% were rejected by the banks. This suggests a positive and improving lending environment for long-term loans that can provide agricultural enterprises with funds for their long-term investment and development plans, despite the on-going hurdles reported by farmers (see Sub-section 2.1).

For credit lines, bank overdrafts, credit card overdrafts and factoring, there are similar patterns, with a high percentage of fully approved applications (82%).

The partial approval rate was 6%, with rejections relatively low at 3%, indicating a high likelihood of approval for such options. The percentage of applications not accepted by farms was 5%, and those still pending evaluation, 4% (Figure 2.15). This is the only product category where the percentage of fully approved applications has decreased since 2017 (from 84% to 82%).

Figure 2.15: Percentage of farms applying for finance and result of the application at EU level

Source: Own calculations based on question Q.16, see Annex I.
* = based on total applications.

Within a stronger financial environment, there are significant differences between Member States for loan application approvals.

For fully approved applications, the lowest percentages were in Lithuania (66%) and Greece (67%), while the highest percentages were in Belgium (95%) and Hungary (90%), as shown in Figure 2.16. Slovakia had no partially approved applications and the two highest shares were in Slovenia (10%) and Croatia (19%).

The combined, full and partial success rate was highest in Croatia (100%), Slovenia (99%) and Belgium (97%) where almost everyone who applied was approved, while the lowest was in Austria and Slovakia (71% each) and Greece (69%)[25]. Economic conditions, financial regulations, or specific characteristics of the agricultural industry in these nations could contribute to the lower success of loan applications.

Rejection by banks or refusal by the farmer was higher in Lithuania and Romania (21% each), followed by Greece (16%), Austria (15%) and Ireland (15%).

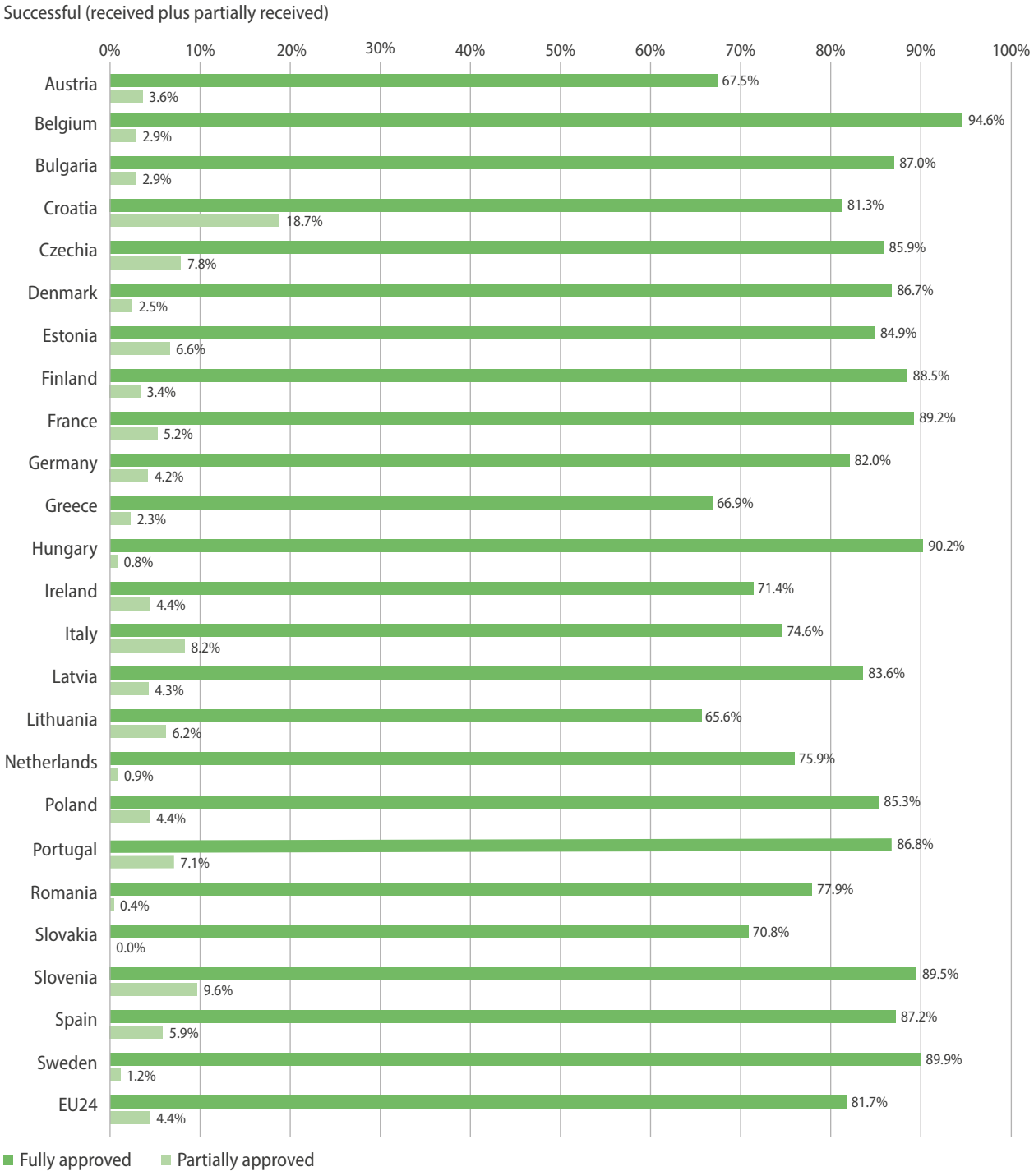
Some Member States in the Baltics and Eastern Europe experienced an increase in approval rates compared to 2017, while some Western/Northern European Member States had the largest decrease. The picture in Southern Europe is mixed, with examples for both trends.

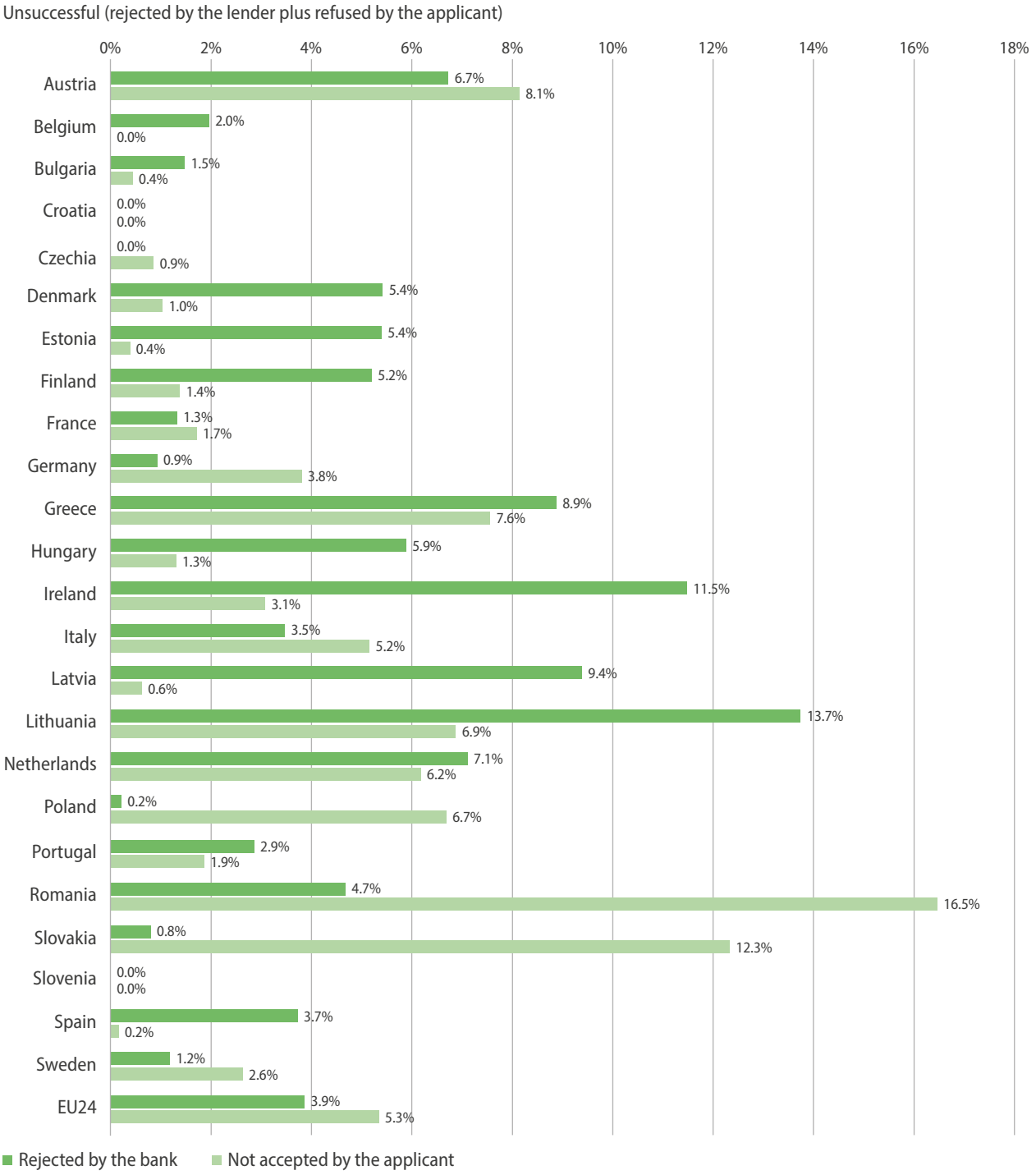
Lithuania had the highest increase in successful applications (fully and partially approved) from 33% in 2017 to 72% in 2022[26], followed by Greece from 40% to 69%. Romania and Estonia also saw notable improvements, with approval rates increasing from 57% to 78% and 72% to 91%, respectively.

Several Member States had lower approval rates. Austria had the most substantial drop of 21%, followed by Denmark (11%), while both France and Italy experienced an 8% decrease.

25 The sample size for Croatia and Slovenia was relatively low, with 31 and 32 respondents, respectively.
26 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

Figure 2.16: Result of the application for bank finance, by Member State (total short-term, medium-term, long-term loans and credit lines)





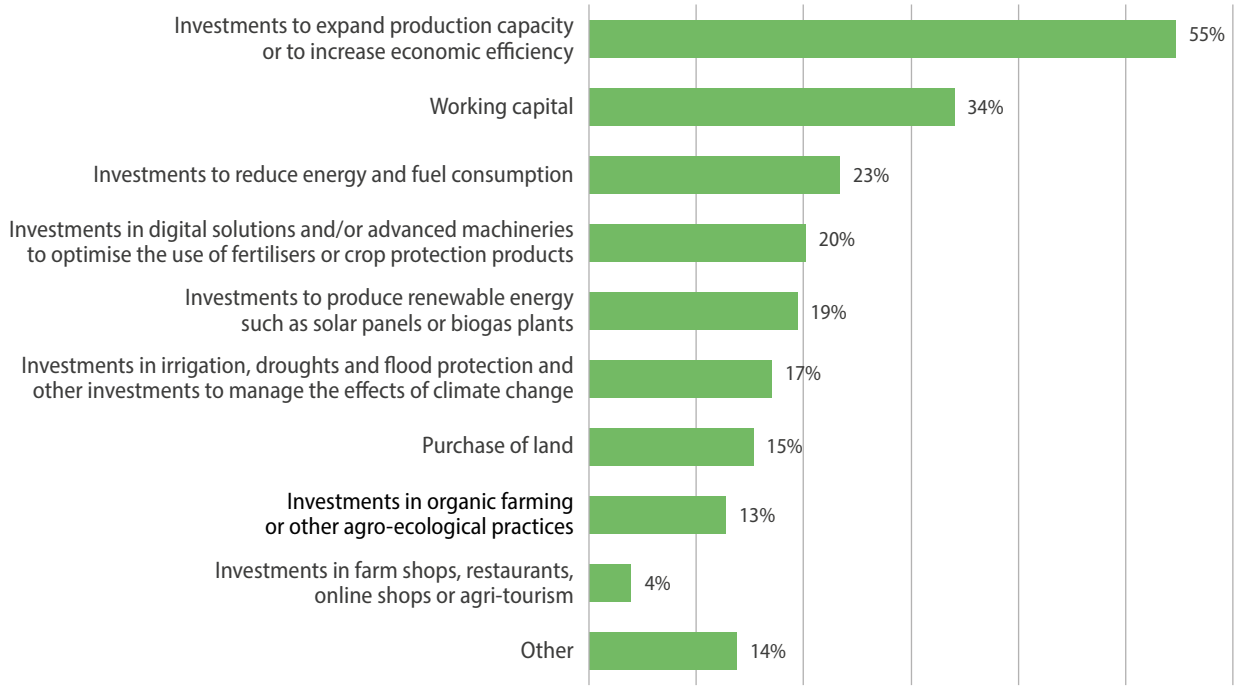
Source: Own calculations based on question Q.16, see Annex I.

Expanding production capacity or economic efficiency were the main purposes for approved or partially approved loans in the past year (55%). Another third covered working capital (34%).

More than half (55%) of the farms used the loans primarily to expand production capacity or increase economic efficiency (Figure 2.17). This suggests a strong focus on enhancing productivity and driving growth in the agricultural sector, which have been a consistent priority in the past. Farmers also widely sought working capital finance (34%) reflecting the importance of maintaining sufficient funds for day-to-day operations, managing cash flow and meeting immediate financial needs, especially in (post-) crisis years. The responses also indicate an interest in reducing energy and fuel consumption (23%), highlighting the sector's growing emphasis on efficiency and sustainability. Purchases of land (15%) and financing organic farming and agro-ecological practices (13%) are in the mix, but while these areas are of interest, they are not yet the primary focus of agricultural loan applications. In fact, banks are more reluctant to support projects that are predominantly environmental than pure technological investments or to purchase farm assets (see also Section 4).

Despite the relatively low proportion of loans used for land purchases (15%), this has increased compared to 2017 when only 11% were used for that purpose. Conversely, there has been a decline in the use of loans for working capital over the same period, from 41% to 34%.

Figure 2.17: Purpose of the bank loan



Source: Own calculations based on question Q.15 (multiple answers possible), see Annex I.

The proportion of EU-24 farms that fully or partially received loans to expand production capacity or increase economic efficiency varies greatly between Member States, from 15% in Slovenia to 67% in Portugal.

Portugal (67%), Estonia (66%), and Romania (65%) have a high percentage of farmers who used the loan to expand production capacity or improve economic efficiency, indicating a continuing desire to grow and modernise in the agricultural sector (Figure 2.18).

The intention to use a bank loan for working capital was the second most important purpose, varying greatly between Member States from 18% in Belgium to 70% in Croatia.

Croatia (70%), Greece (60%), and Ireland (57%) had a high proportion of farmers who used the loan for working capital (Figure 2.18). Conversely, Belgium (18%) and Sweden (20%) seemed to have lower working capital needs.

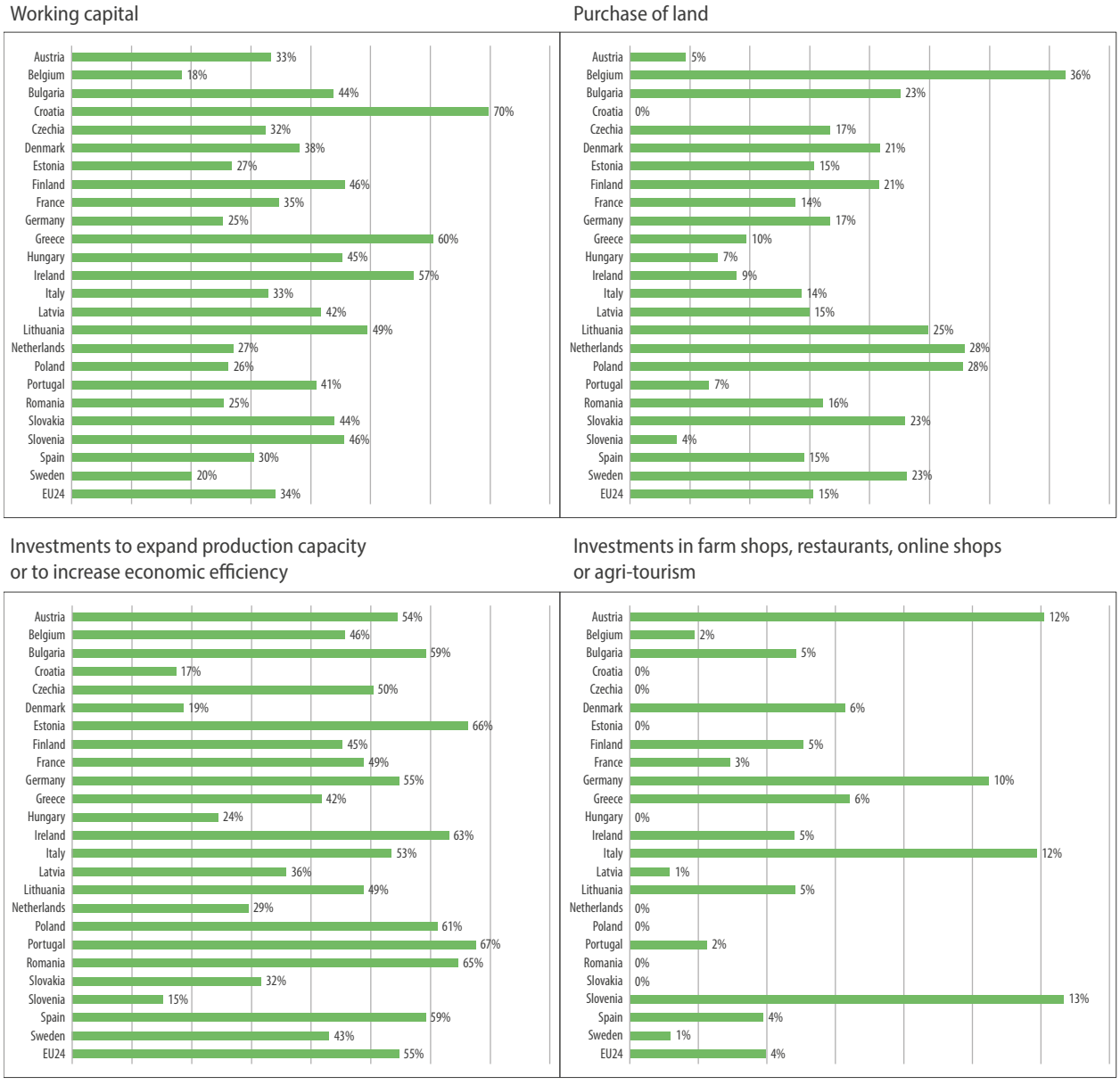
There are considerable variations between Member States regarding environmental and climate related investments, indicating diverse intentions in a changing economic situation.

Austria, Spain and Italy seem to have a stronger focus on financing investments related to environmental sustainability and climate resilience, whereas these are less prevalent in Latvia and Estonia.

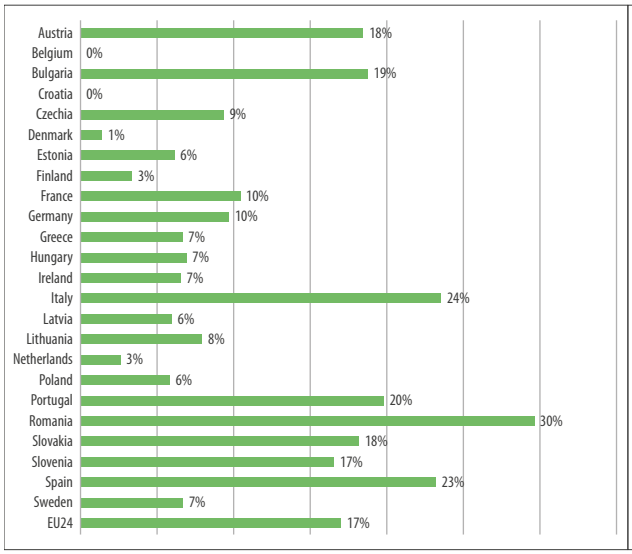
Using the loans to purchase land varied across the Member States.

Belgium (36%), Netherlands (28%), and Poland (28%) had a higher share of farmers who used the loan to purchase land, indicating a stronger focus on land consolidation via external financing (Figure 2.18).

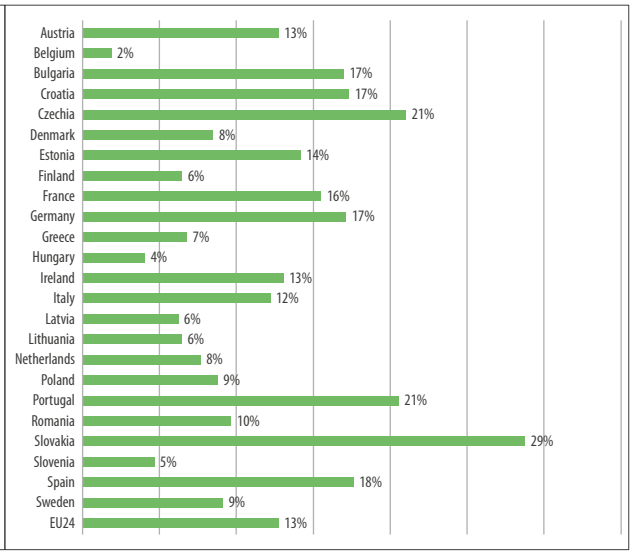
Figure 2.18: Farms that received or partially received loans by purpose of loan



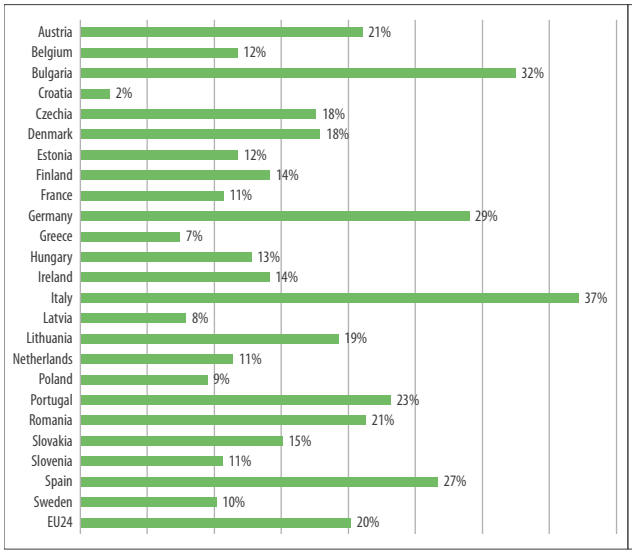
Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change



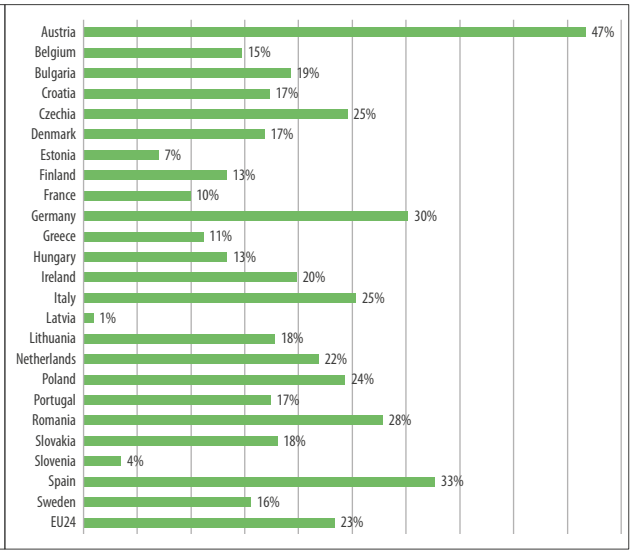
Investments in organic farming or other agro-ecological practices

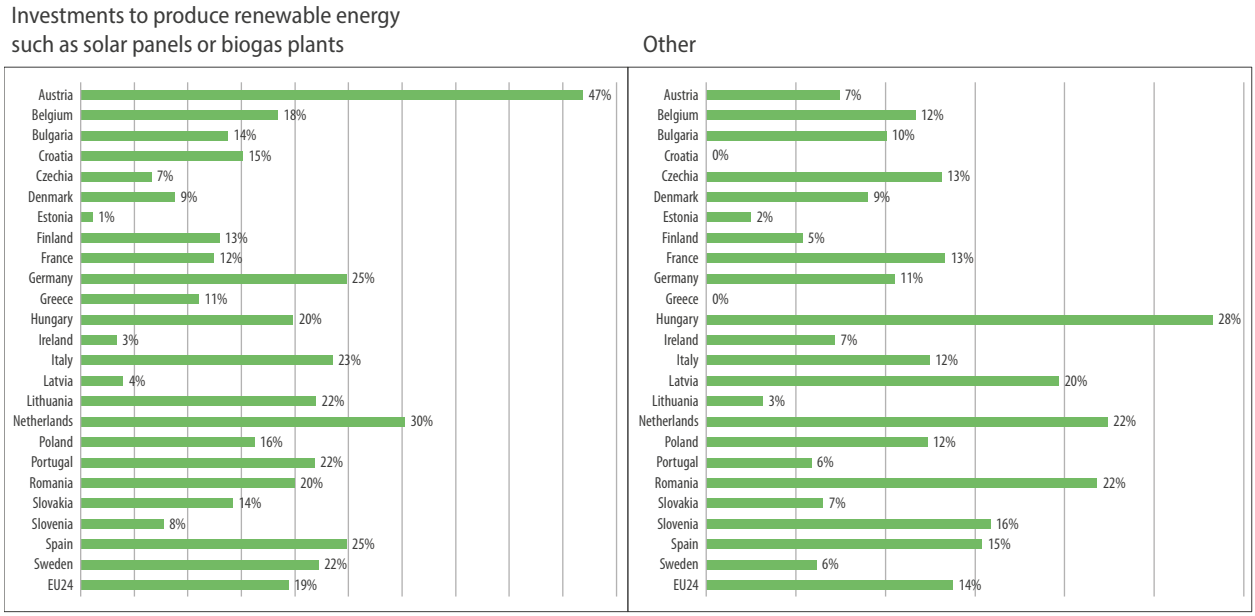


Investments in digital solutions and/or advanced machineries to optimise the use of fertilisers or crop protection products



Investments to reduce energy and fuel consumption





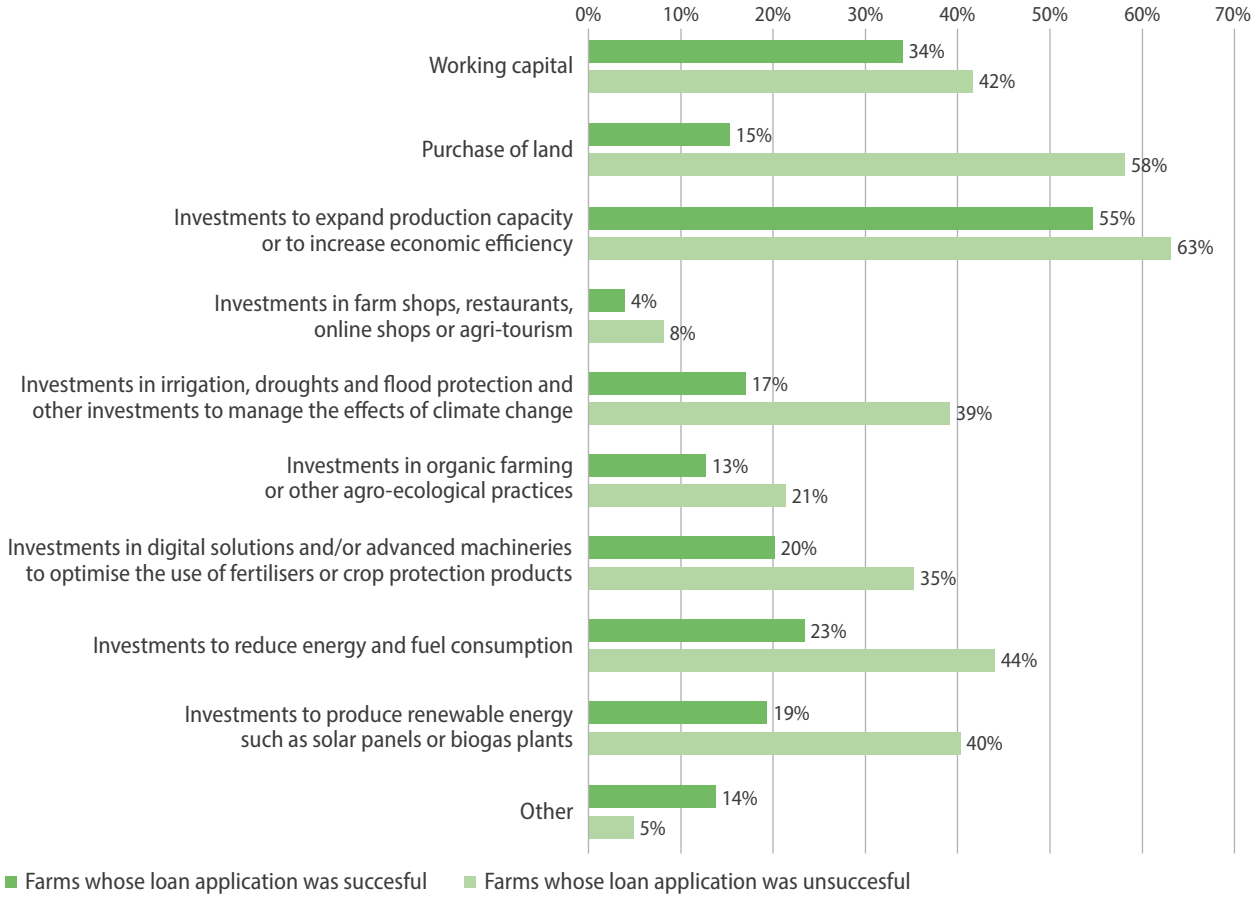
Source: Own calculations based on question Q.15 (multiple answers possible), see Annex I.

Farmers whose loan application was unsuccessful place higher emphasis on investments boosting environmental sustainability and climate resilience as well as land purchase.

The purposes of unsuccessful loan applicants differ slightly from those of successful applicants. Whereas investment to expand production capacity or increase economic efficiency is the number one objective for both groups (55% and 63% respectively), subsequent priorities diverge (Figure 2.19). Working capital is the second most important objective for successful applications (34%). In contrast, the second most frequent objective for farmers who did not receive loans was land purchase (58%), followed by reducing energy and fuel consumption (44%), working capital (42%) and renewable energy production such as solar panels or biogas plants (40%).

Farmers seem to have more success in securing financing for investment and expansion projects, which are traditionally seen as less risky and more aligned with conventional banking practices. These projects often have clearer financial returns and shorter payback periods, making them more attractive to banks. On the contrary, banks may have been less prepared or inclined to assess and finance projects related to land purchases or investments in climate adaption and irrigation during the period. This may be due to regulatory constraints, banking policy, limited specialised personnel, limited understanding of these types of projects, or inadequate processes and procedures for evaluating and approving such loans. Farmers who sought financing for these objectives may have faced higher rejection rates or encountered challenges to obtaining the funds. However, data from this survey are insufficient to draw clear conclusions and further analysis of possible obstacles to obtaining finance for specific investment purposes might be beneficial.

Figure 2.19: Purpose of applications for bank products



Source: Own calculations based on question Q.15 (multiple answers possible), see Annex I.

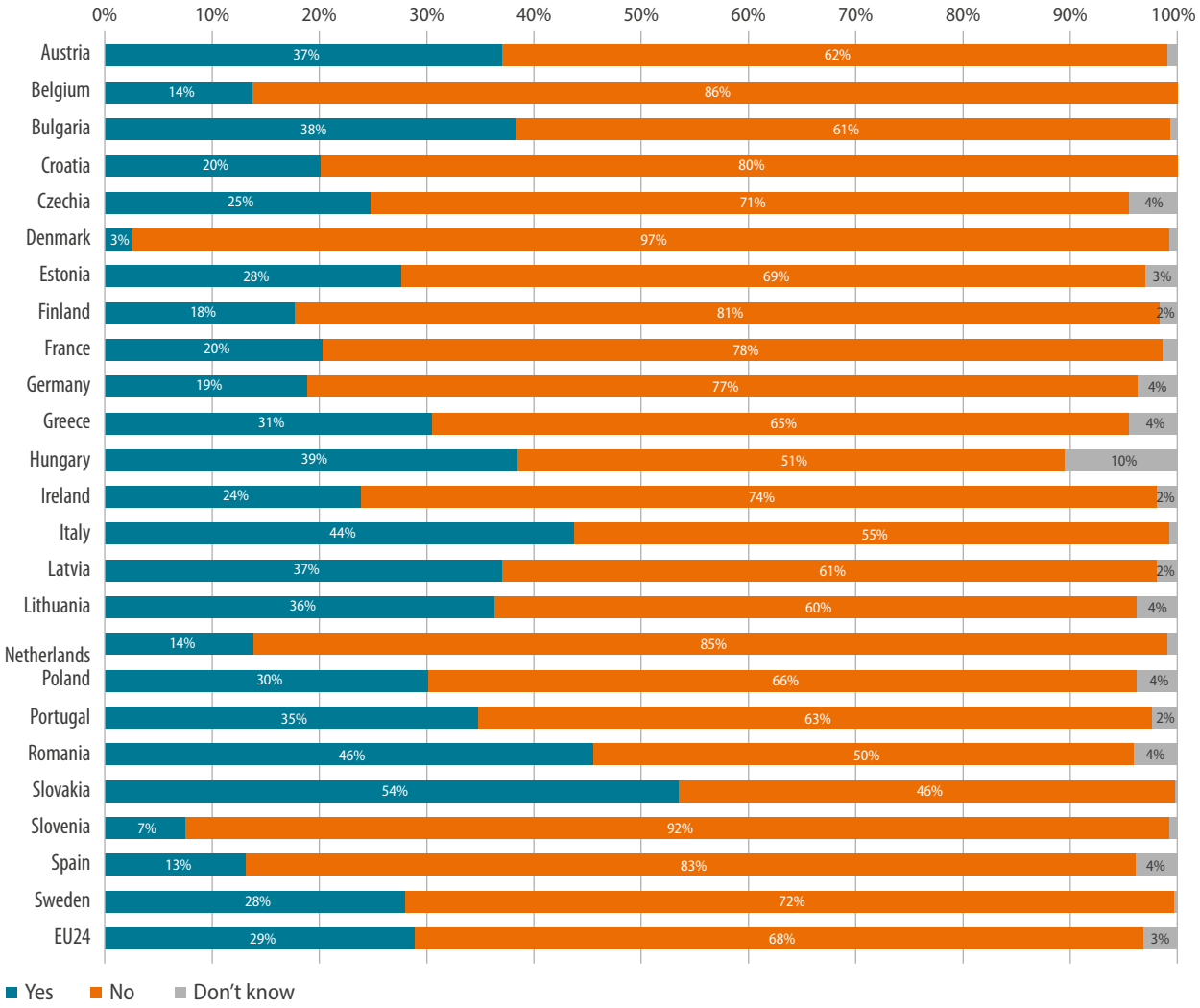
At the EU-24-level, approximately one third (29%) of loans were linked to CAP/EAFRD financial support, which indicates a high dependency on EU subsidies in the sector.

At the EU-24-level, 29% of the loans were directly tied to CAP/EAFRD financial support (Figure 2.20). Links to grant support are substantially stronger in this sector than in the agri-food industry, where only 16% of the SMEs reported these. The relatively high proportion of loans linked to CAP/EAFRD funding implies that EU funds play an important role in financing investments for agricultural enterprises. At the same time, combining refundable and non-refundable financing occurs frequently in the agricultural sector, which justifies recent regulatory adjustments to expand the use and simplify combinations of EAFRD-supported financial instruments and grants.

There is substantial variation across Member States for links between loans and CAP/EAFRD financial support. Southern, Central, and Eastern European countries depend more on grants/subsidies, Western and Northern European countries less.

The countries (Figure 2.20) with the highest share of loans linked to CAP/EAFRD financial support are Slovakia (54%), Romania (46%) and Italy (44%). While there is a general trend for more links between loans and CAP/EAFRD financial support in Southern, Central, and Eastern European countries, this pattern is not exclusive or absolute. Differences between Member States highlight the importance of specific national factors, CAP strategies and other policies influencing agricultural financing decisions, including newly launched State aid schemes. Figure 2.20 appears to show an inverse relationship between the strength of the economy and links between bank loans and grants in a Member State.

Figure 2.20: Distribution of loans (short-term loans, medium-term loans, long-term loans, and credit lines) that was linked to CAP /EAFRD financial support, at EU and Member State level

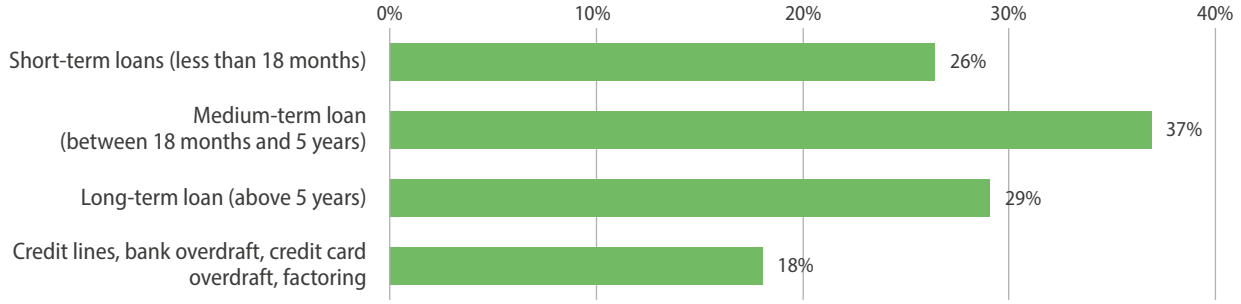


Source: Own calculations based on question Q.14, see Annex I.

Not surprisingly, medium-term loans had the most links to CAP/EAFRD funding.

Medium-term loans are those most associated with EU funds (37%), which may be attributed to their close alignment with typical time horizons for CAP/EAFRD investments (Figure 2.21). Long-term loans closely follow at 29%, while short-term loans have slightly fewer links at 26% and credit lines 18%.

Figure 2.21: Distribution of short-term loans, medium-term loans, long-term loans, and credit lines, that were linked to CAP /EAFRD financial support, at EU level



Source: Own calculations based on question Q.14, see Annex I.

Most short-term loans had 6-12 months maturity and 5-10% interest rates. Medium- and long-term loans had 4-5 years and 5-7 years loan maturity, respectively, with 3-5% interest rates.

The most common interest rates in the 24 Member States were 5-10% for short-term loans and 3-5% for medium- and long-term loans, as well as credit lines (Table 2.1). Fewer EU farmers received loans of any type with an interest rate below 3%, which for medium- and long-term loans were 43% and 46%, respectively, with around a third of the rest paying less than 3%.

Table 2.1: Interest rate of financial products applied for (EU-24)

Short-term loans		Medium-term loans		Long-term loans		Credit lines, overdrafts	
Interest rate	Frequency distribution	Interest rate	Frequency distribution	Interest rate	Frequency distribution	Interest rate	Frequency distribution
0-1%	9%	0-1%	14%	0-1%	12%	0-1%	9%
1-2%	11%	1-2%	14%	1-2%	22%	1-2%	11%
2-3%	16%	2-3%	15%	2-3%	12%	2-3%	13%
3-5%	23%	3-5%	27%	3-5%	27%	3-5%	28%
5-10%	29%	5-10%	21%	5-10%	17%	5-10%	20%
>10%	12%	>10%	8%	>10%	11%	>10%	19%

Source: Own calculations based on question Q.16, see Annex I.

Most farmers asked for longer maturity short- and medium-term loans (76% for 6 to 18 months for short-term and 68% for the last year of the medium-term 5-year period), but for long-term loans maturities beyond 10 years are not easy to obtain. (Table 2.2).

Table 2.2: Maturity of financial products applied for (EU-24)

Short-term loans		Medium-term loans		Long-term loans	
Loan duration	Frequency distribution	Loan duration	Frequency distribution	Loan duration	Frequency distribution
0-3 months	8%	0-2 years	6%	<5 years	10%
3-6 months	10%	2-3 years	14%	5-7 years	30%
6-12 months	56%	3-4 years	5%	7-10 years	37%
12-18 months	20%	4-5 years	68%	10-15 years	12%
18+ months	7%	5+ years	7%	15-30 years	11%
				30+ years	1%

Source: Own calculations based on question Q.16, see Annex I.

The majority of the short- and medium-term loans, as well as credit lines were for EUR 10 001-100 000 (71% to 78% of all loans), while almost half the long-term loans (44%) are also for less than EUR 100 000 (Table 2.3). For all products, most loan applications were for less than EUR 500 000.

Table 2.3: Amount requested (EU-24)

	Short-term loans	Medium-term loans	Long-term loans	Credit lines, overdrafts
Amount (EUR)	Frequency distribution	Frequency distribution	Frequency distribution	Frequency distribution
1-10 000	32%	14%	1%	23%
10 001-100 000	46%	57%	43%	51%
100 001-500 000	16%	21%	39%	19%
500 001-1 000 000	2%	4%	7%	3%
>1 000 000	4%	4%	9%	4%

Source: Own calculations based on question Q.11, see Annex I.

The main reason for banks refusing loan applications was their own banking policy.

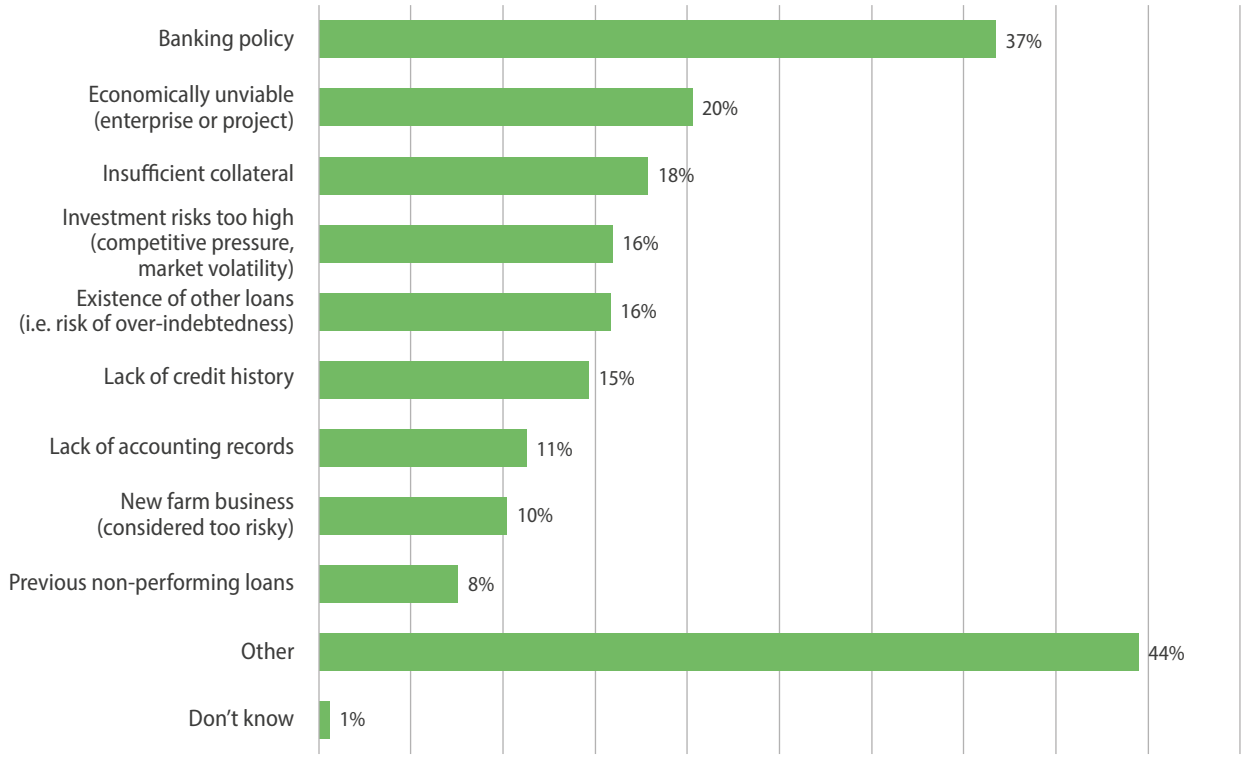
Banking policy (37%) was the most frequent cause of rejected loan applications (Figure 2.22). This relates predominantly to internal limits on lending to the agricultural sector, in combination with credit risk, portfolio diversification, asset quality, etc. which cap bank lending . The second highest reason for rejection was the economic viability of the enterprise or the proposed investment (20%). This reflects the importance of Member States having proper training and/or advisory services for farmers on how to create viable and realistic business plans. Lack of accounting records (11%), new farm businesses (10%) and previous non-performing loans (8%) were less frequent reasons for rejecting applications, though covering almost a third of all rejections.

The causes highlighted in the study reflect the perception of applicants based on the decision communicated by the banks. This does not necessarily coincide 100% with the actual – potentially more complex – reasons banks rejected the applications.

Rejections reasons shift from risk aversion in 2017 to policy and economic considerations in 2023.

In 2017, bank risk aversion was the reason for more than half the refusals, with the main reason related to the perceived risk of the proposed investment[27]. The relevance of such a risk decreased considerably from 44% to 16% between 2017 and 2022. At the same time, the economic viability of farms or projects has increased as reasons for loan refusals. While this only accounted for 8% of rejections in 2017, it increased to 20% in 2022 signalling the impact of the war and economic uncertainty, alongside increased production costs and reduced farm profits.

Figure 2.22: Distribution of farms by reasons for which banks rejected applications, at EU level



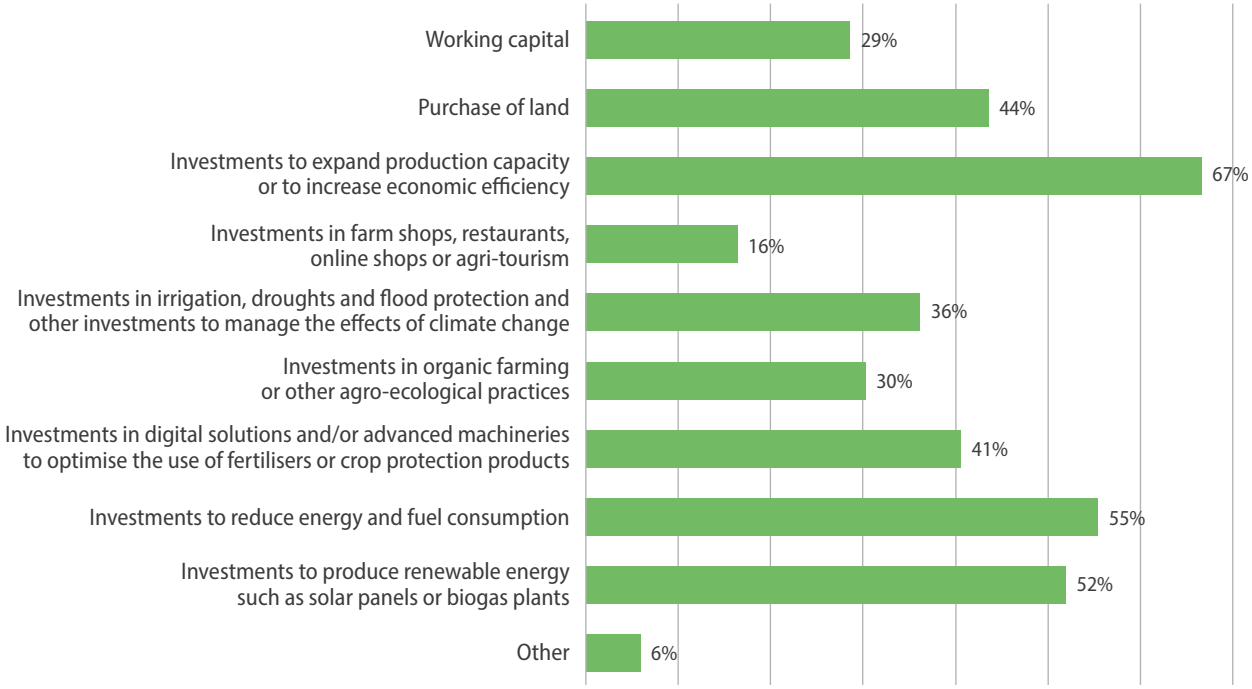
Source: Own calculations based on question Q.17 (multiple answers possible), see Annex I.

27 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

In two-thirds of cases (67%), the primary objectives of farms who did not apply would have been to expand production capacity or increase economic efficiency (Figure 2.23).

This underlines aspirations for growth and recognition of the potential benefits of investments in agricultural operations. Notably, 55% of these agricultural enterprises expressed an interest in reducing energy and fuel consumption, indicating their commitment to sustainable practices and optimising resource efficiency, probably also due to hurdles caused by the Russian-Ukrainian war (see Sub-section 2.1 above). Additionally, renewable energy production such as from solar panels or biogas plants was a prominent goal, with more than half the farms (52%) intending to use a loan for this, had they applied. This may suggest a focus on securing long-term sustainability for their operation combined with a positive environmental impact. Importantly, land purchase is of interest for about half those who would have applied, remaining important for a farm's sustainability and economic growth.

Figure 2.23: Distribution of surveyed farms that did not apply for bank finance by purpose of the loan (had they applied), at EU level



Source: Own calculations based on question Q.13 (multiple answers possible), see Annex I.

The intention to expand production capacity or increase economic efficiency among those that did not apply for a bank loan varies considerably across Member States, from 15% in Denmark to 76% in Ireland.

Notably, in Ireland (76%), Romania (75%) and Portugal (74%) the majority of non-applicants intended to use a loan to expand production capacity or improve economic efficiency, confirming the strong drive for growth and the modernisation of EU agriculture (Figure 2.24).

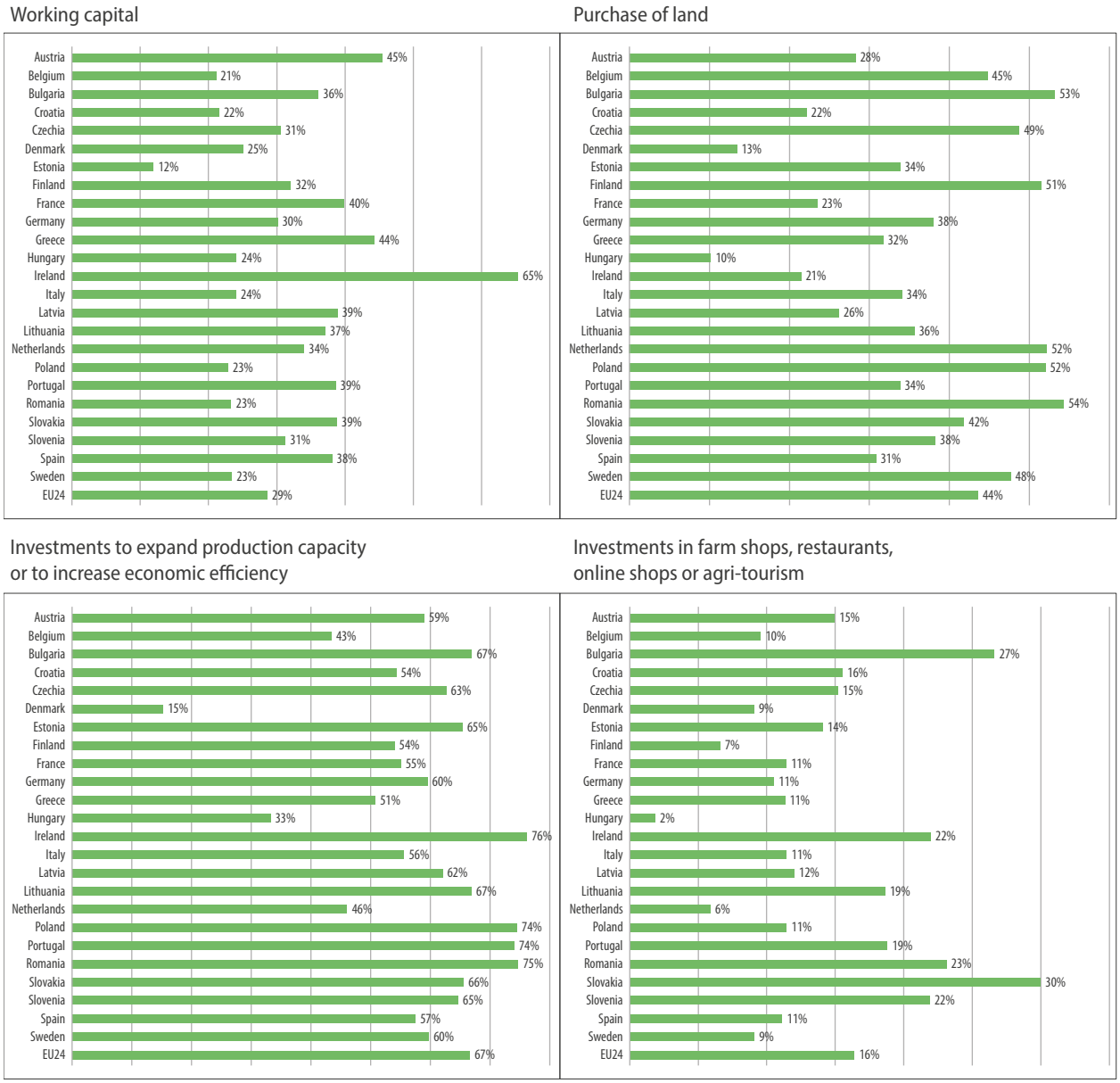
The need for financing to reduce energy and fuel consumption was the second highest priority for non-applicants and varies considerably across Member States.

The highest percentages were in Austria (71%) and Portugal with 64% (Figure 2.24). This suggests a potential disparity between prioritising energy and fuel reduction for agricultural enterprises in some Member States, or the availability of other financial sources, including (EU) subsidies, to finance energy and fuel reduction.

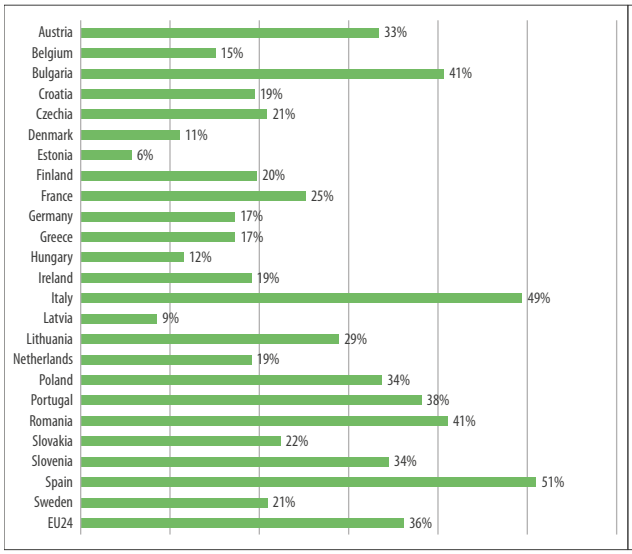
Substantial variations between Member States regarding the potential purpose of the loan reflect diverse intentions and needs among non-applicants.

The share for 'production of renewable energy such as solar panels or biogas plants' among potential applicants varies from 22% in Hungary to 81% in Austria (Figure 2.24). For 'Purchase of land,' the lowest value was in Hungary (10%), and the highest in Romania (54%) but overall, about half of potential applicants would have opted for buying land. Investments in irrigation and digitalisation diverge, but interestingly enough, marketing and selling alternatives (also linked to farm diversification) are most pronounced in Eastern European countries (Bulgaria, Slovakia, Slovenia and Romania) showing a potential for development in this area in the coming years.

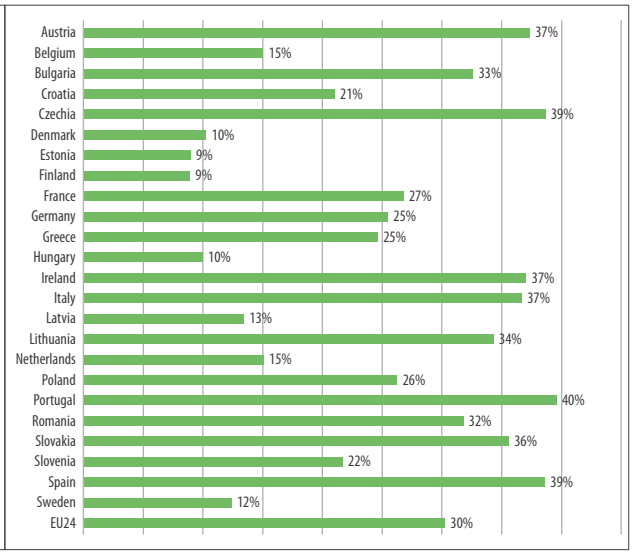
Figure 2.24: Distribution of surveyed farms that did not apply for bank finance by purpose of the loan, by Member State



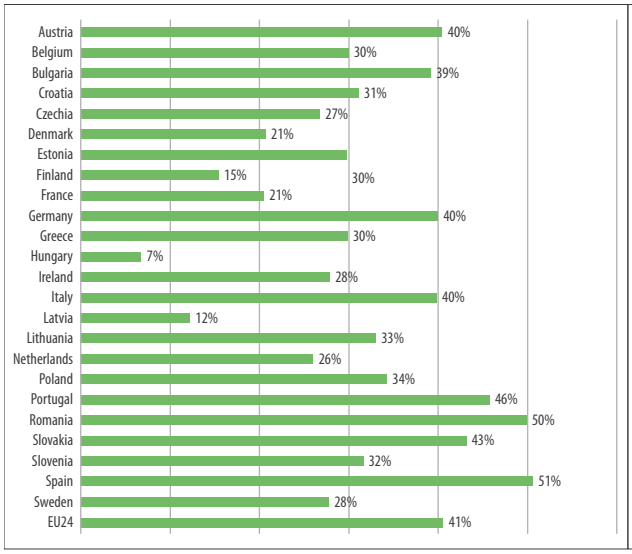
Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change



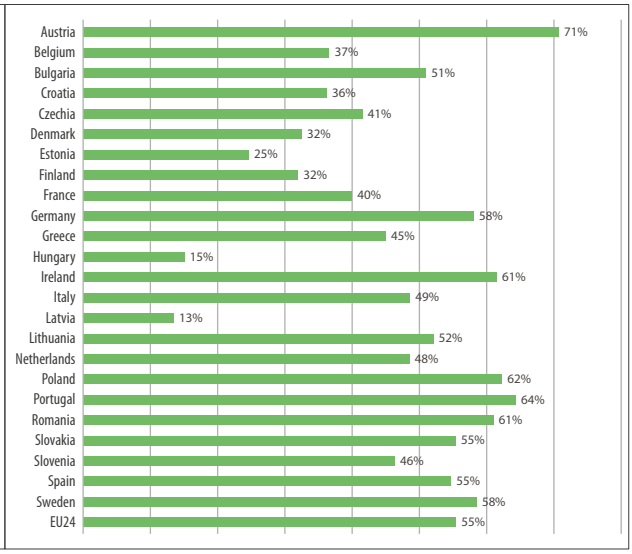
Investments in organic farming or other agro-ecological practices

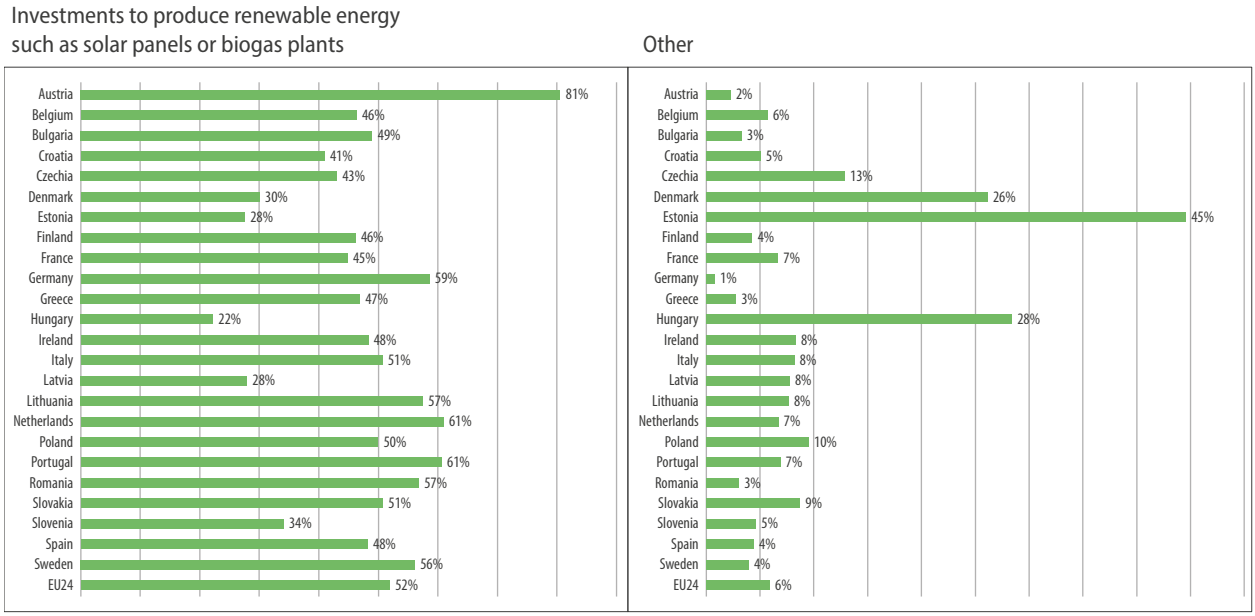


Investments in digital solutions and/or advanced machineries to optimise the use of fertilisers or crop protection products



Investments to reduce energy and fuel consumption





Source: Own calculations based on question Q.13 (multiple answers possible), see Annex I.

03 Future expectations of agricultural businesses

This section displays farmer's expectations for their expected financing needs as well as change in turnover, profit and investments in the next three years.

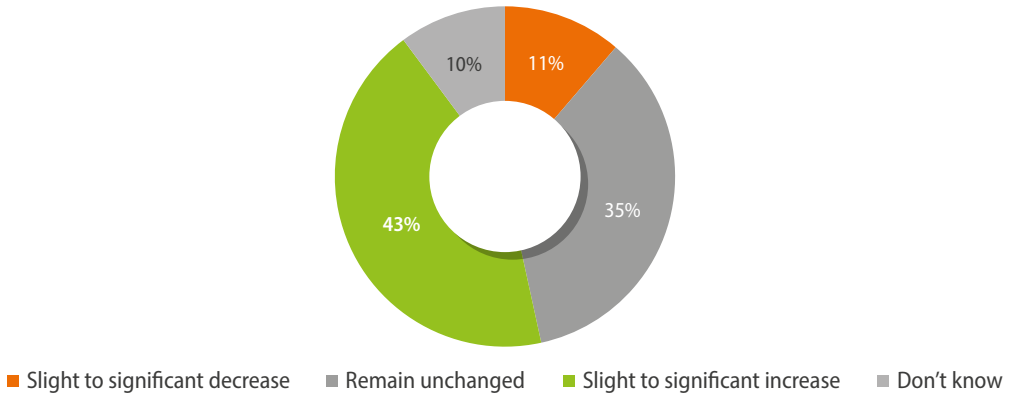
Key findings

- 43% expect their financial needs will increase, while 35% think they will stay the same;
- 39% expect an increase in turnover, while for 31% it will remain stable;
- 34% expect an increase in profit and an almost equal share (30%) predict a decrease;
- There are diverse views on future investments, but the most common perception is that volumes will remain stable.

A majority of agricultural enterprises anticipate an increase in future financing needs.

For future financing needs, 43% of enterprises anticipate an increase in the next three years (Figure 3.1), indicating ongoing sector development and an increasing appetite for financing. Meanwhile, 35% expect their financing needs to remain unchanged, while only 11% anticipate a decrease. The results confirm the importance of ensuring sufficient and accessible financing to support the sector's growth in the near future.

Figure 3.1: Expectations about farms' financing needs in the next 3 years[28]



Source: Own calculations based on question Q.10, see Annex I.

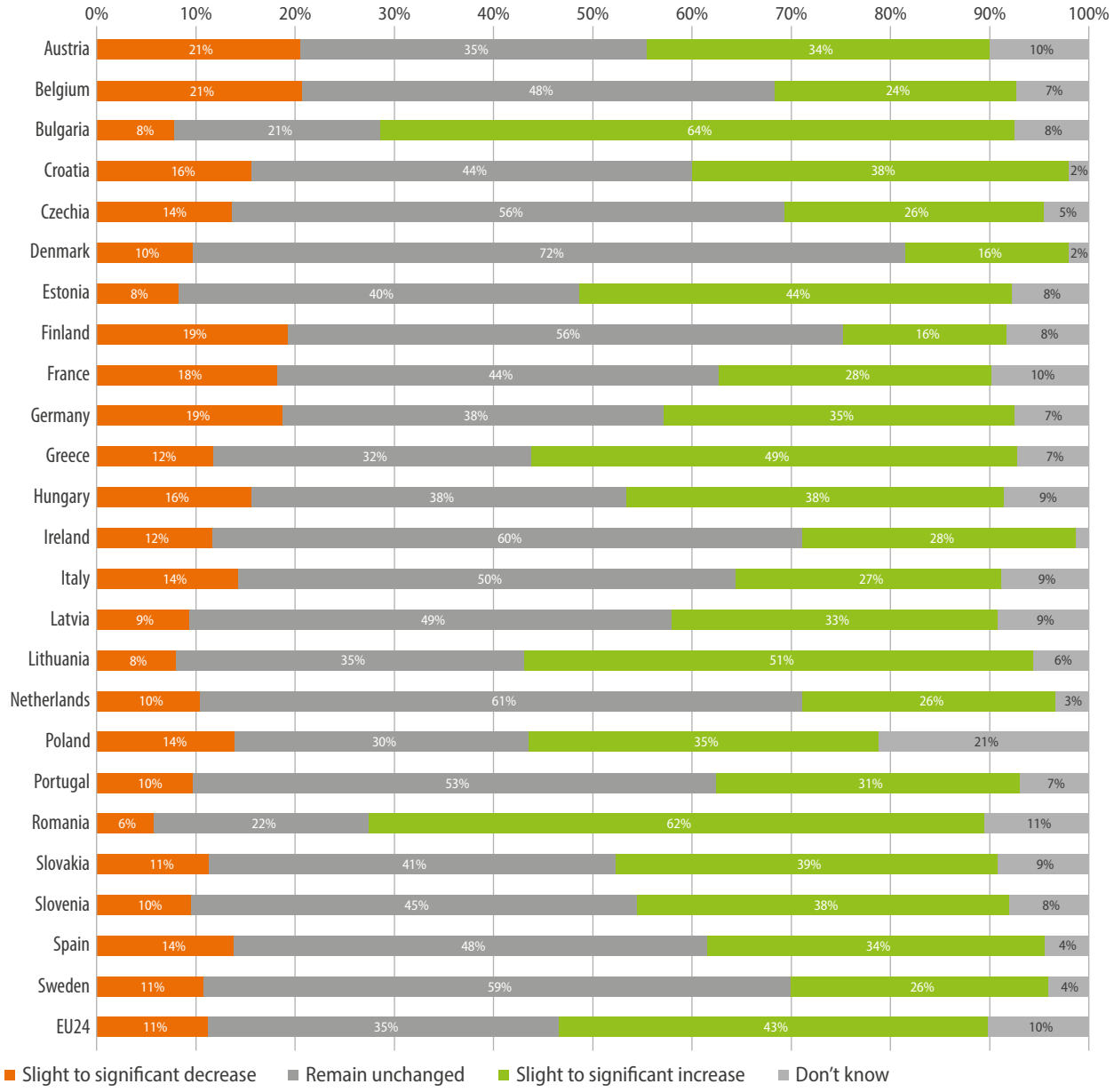
In terms of country-specific expectations (Figure 3.2), financing needs are generally higher in the Baltics and Eastern Europe, as well as in Greece, whereas Nordic countries and Western European Member States have less expected future demand.

Bulgaria and Romania stand out with over 60% of farmers foreseeing increased financial needs, followed by Lithuania and Greece with around 50%. In all Member States, except for Finland, more farmers anticipate an increase in financing than expect a decrease.

28 Total decrease and total increase are calculated as the sum of significant and slight changes.

Conversely, Austria and Belgium have the highest share of farmers expecting a decrease in financial needs (over 20%), followed by Germany, Finland, and France (with 19% and 18% respectively). This may reflect a more stable or mature agricultural sector in these countries, where enterprises have already made significant investments or are financially stable. However, it is important to ensure that even in countries with lower expectations for financial needs, there are still adequate financing opportunities for enterprises looking to innovate, adapt to changing market conditions, or invest in sustainability initiatives.

Figure 3.2: Expectations about farms' financing needs in the next 3 years, by Member State



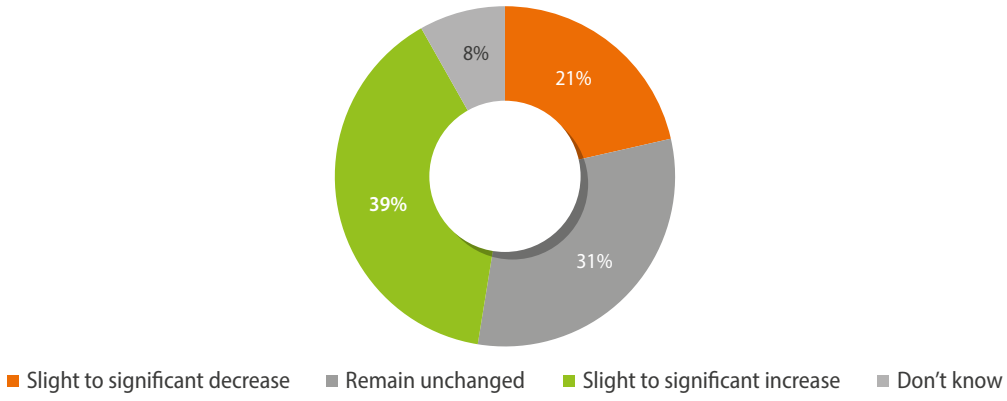
Source: Own calculations based on question Q.10, see Annex I.

Agricultural enterprises have varying expectations for turnover growth in the next three years, with fewer anticipating an increase compared to SMEs in other sectors.

When considering the anticipated growth of agricultural enterprises, 39% expect an increase in turnover within the next three years (Figure 3.3). This is notably lower than SMEs in other sectors, where more than half (54%) anticipate some turnover growth[29]. The more cautious outlook in the agricultural sector could be attributed to factors such as market dynamics, price volatility and climate-related risks. These influence the agricultural sector differently to other industries, as does the strong impact of the war, especially on input prices.

However, comparing current changes in turnover to expectations for the near future, an optimistic trend emerges. While 39% of agricultural enterprises anticipate growth, only 28% experienced growth in the previous year. Similarly, 33% saw a decline in turnover, while only 21% expect a decrease in the near future and 31% believe their turnover will not change (see Figure 2.2 and Figure 3.3).

Figure 3.3: Expectations about farms' turnover in the next 3 years



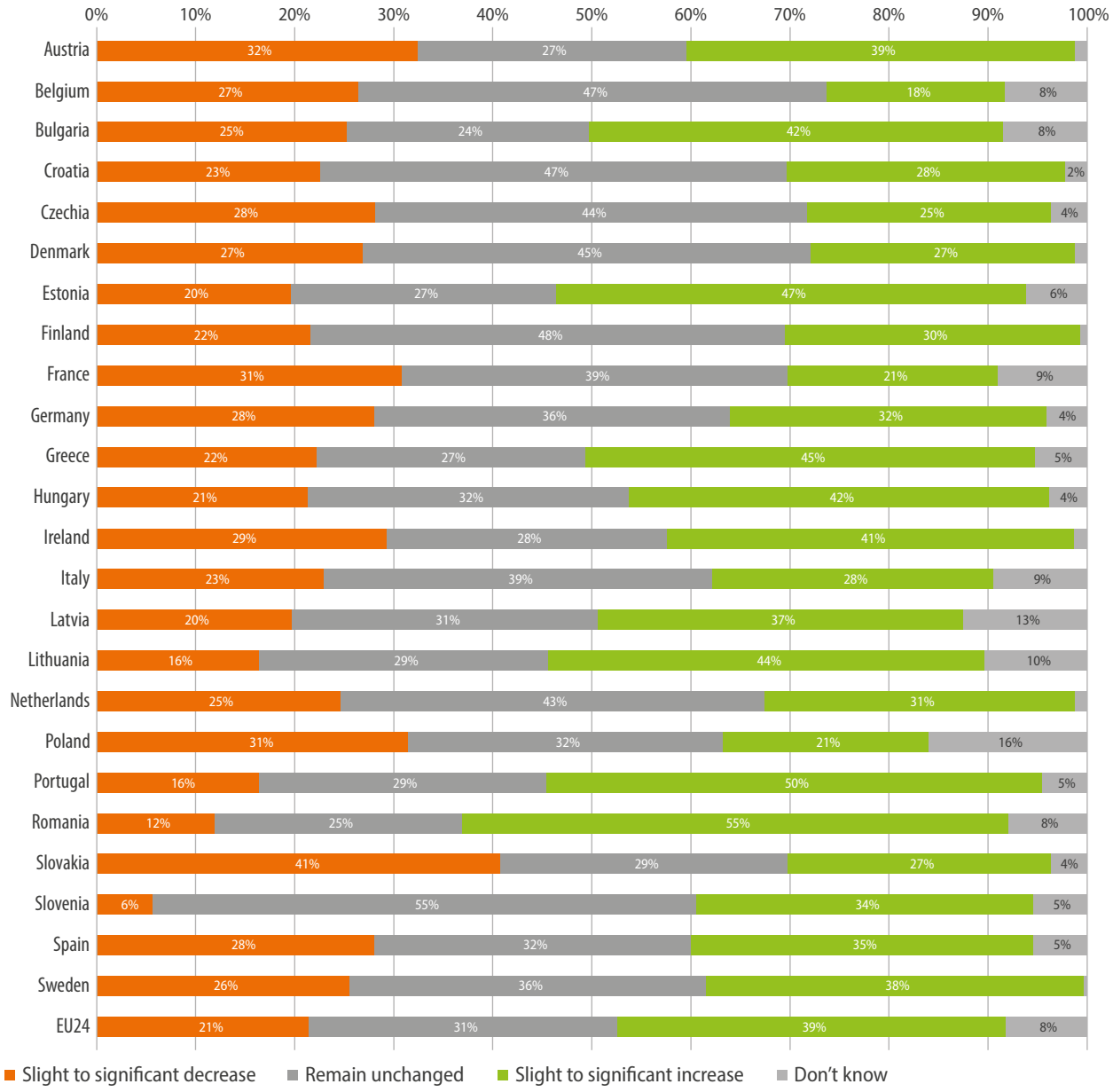
Source: Own calculations based on question Q.10, see Annex I.

Analysing the country-specific expectations (Figure 3.4), Romania and Portugal stand out with over half their farmers foreseeing increased turnover. Estonia, Greece, Lithuania, Hungary, Bulgaria, and Ireland also show positive trends, with more than 40% of farmers anticipating increased turnover.

In contrast, there is a more pessimistic outlook in Slovakia, where 41% of farmers anticipate a decrease in turnover. Austria, Poland, and France follow with over 30% expecting economic decline.

29 European Central Bank (2022). Survey on the access to finance of enterprises (SAFE). p. 92.

Figure 3.4: Expectations about farms' turnover in the next 3 years, by Member State

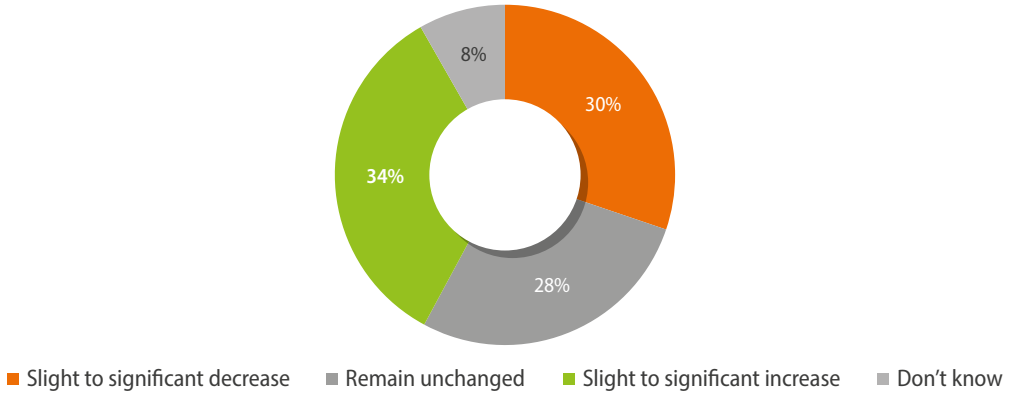


Source: Own calculations based on question Q.10, see Annex I.

The agricultural sector has varied expectations for changes in profit, with 34% anticipating an increase, while 30% expect a decrease.

Regarding anticipated changes in profit for agricultural enterprises, 34% expect an increase in the next three years (Figure 3.5). Additionally, 28% anticipate no change, while 30% expect a decrease. The almost equal expectations indicate uncertainties about the economic outlook and highlight differences in the farming sector regarding the perceived capability to respond to current challenges. Agricultural enterprises operate in diverse markets, regions and sub-sectors while factors such as farm size, production methods, access to resources, market positioning, exposure to pressure on input costs and external support can all contribute to differing perspectives for future profits.

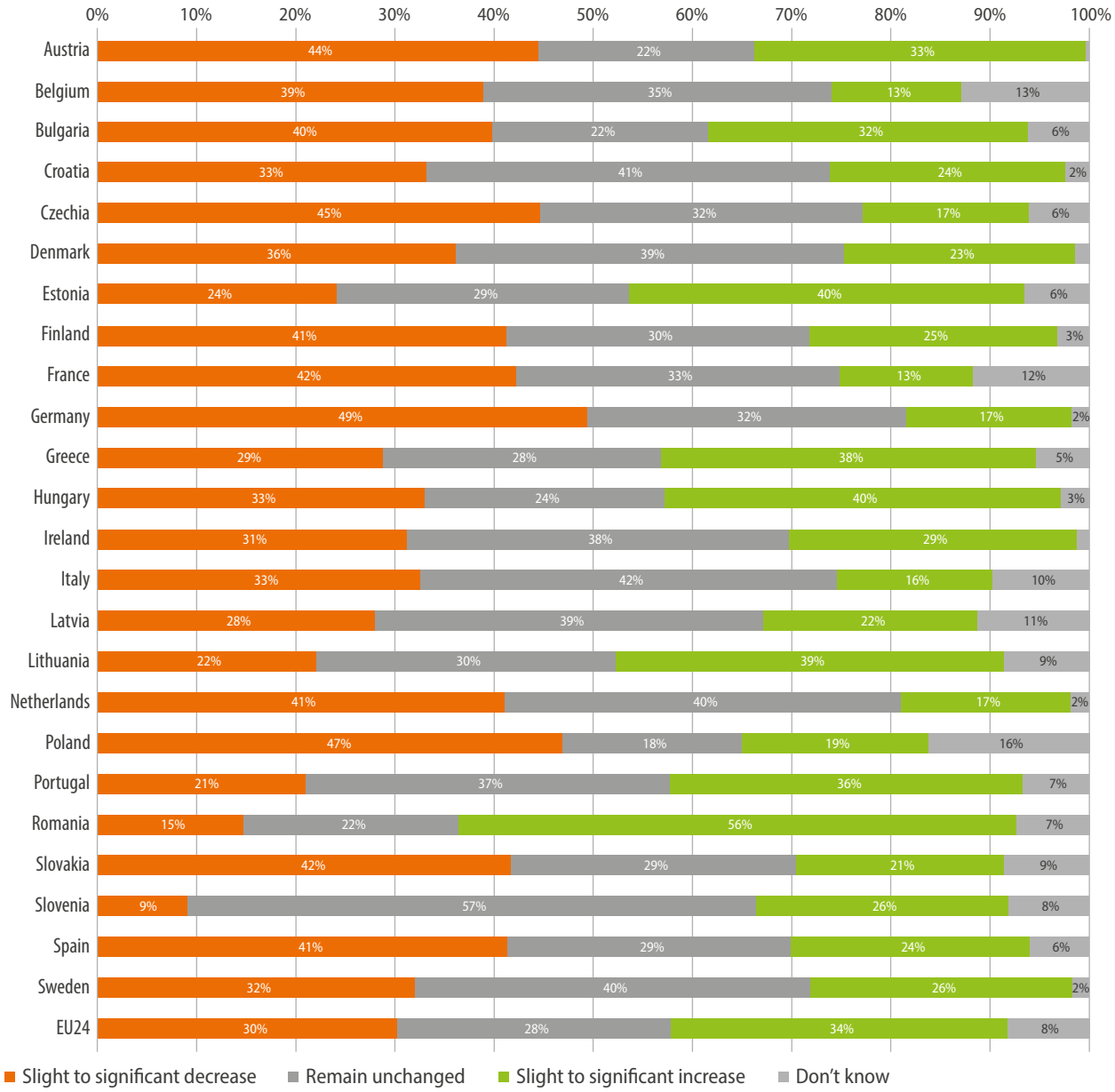
Figure 3.5: Expectations about farms' profits in the next 3 years



Source: Own calculations based on question Q.10, see Annex I.

Romania stands out with over half the farms anticipating increased profit, followed by Estonia and Hungary with 40% (Figure 3.6). Conversely, Germany and Poland have the highest percentage of agricultural enterprises expecting lower profits, 49% and 47% respectively. These are followed by Czechia, Austria, Slovakia, France, Finland, Netherlands, and Spain, where over 40% anticipate a decrease in profit.

Figure 3.6: Expectations about farm profits in the next 3 years, by Member State

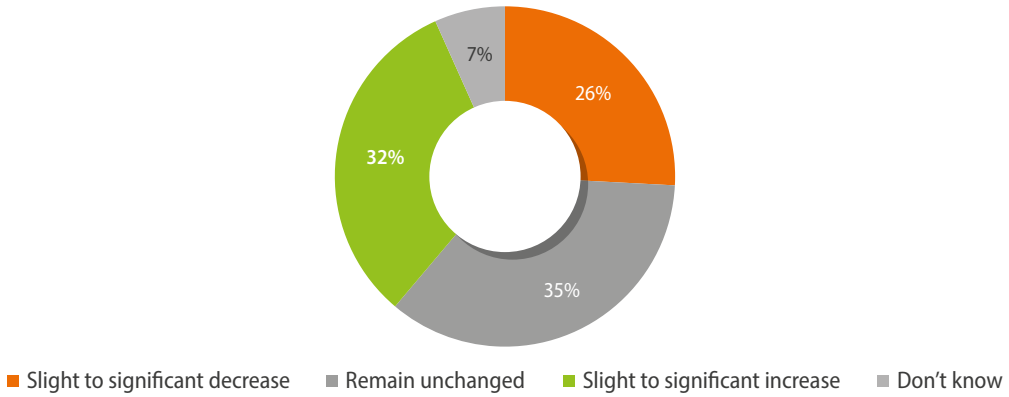


Source: Own calculations based on question Q.10, see Annex I.

Expectations regarding changes in investments varies by sector, but the largest group think volumes will not change.

The largest group (35%) expect investment levels to be unchanged in the next three years. Meanwhile, 32% anticipate an increase and 26% believe there will be a decrease (Figure 3.7).

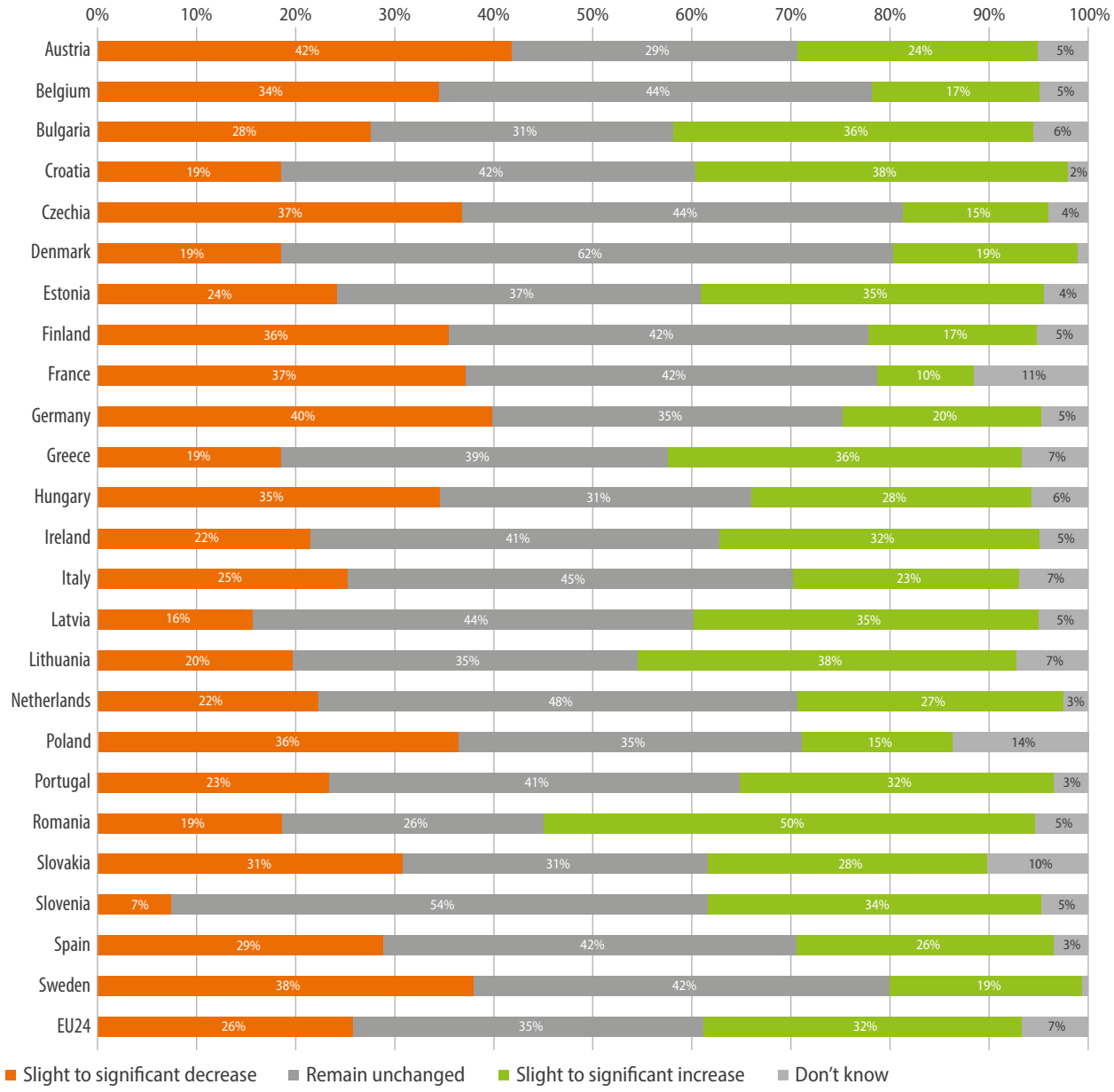
Figure 3.7: Expectations about farms' investments in the next 3 years



Source: Own calculations based on question Q.10, see Annex I.

Romania stands out with half the farms anticipating increased investment (in line with the expected increased profit), followed by Lithuania and Croatia, with 38% each (Figure 3.8). Conversely, Member States with the highest proportion of farmers anticipating decreased investments in the coming years, are Austria (42%), Germany (40%) Sweden (38%), France (37%) and Czechia (37%). Decisions to reduce or delay investments may be influenced by market uncertainties, financial constraints, or perceived risks among these enterprises.

Figure 3.8: Expectations about farms' investments in the next 3 years, by Member State



Source: Own calculations based on question Q.10, see Annex I.

04 Investments for climate resilience and environmental sustainability

This section presents ongoing actions undertaken by EU farmers in relation to climate change, as well as their approach and barriers to investments enhancing the environmental sustainability and climate resilience of their farms.

Key findings

- 78% of European farmers have experienced impacts of climate change on their operations in the past 3-5 years;
- Droughts affected 86% of farmers, while extreme weather events impacted 68% with regional differences;
- Pest infections caused trouble for 26% of the agricultural enterprises; fires affected 4%;
- There is a significant gap between farmers impacted by climate change and those who invested in environmental and climate-resilient practices in the last 3-5 years, with considerable variations also between Member States;
- Investment plans for the near future strongly emphasise energy-related operations, but not enough to ensure full environmental sustainability;
- There is a growing awareness of the importance of climate-related investments, particularly in Eastern Europe;
- High investment costs with limited economic returns and long payback periods are the main obstacles hindering climate and environmental investments in the farming sector.

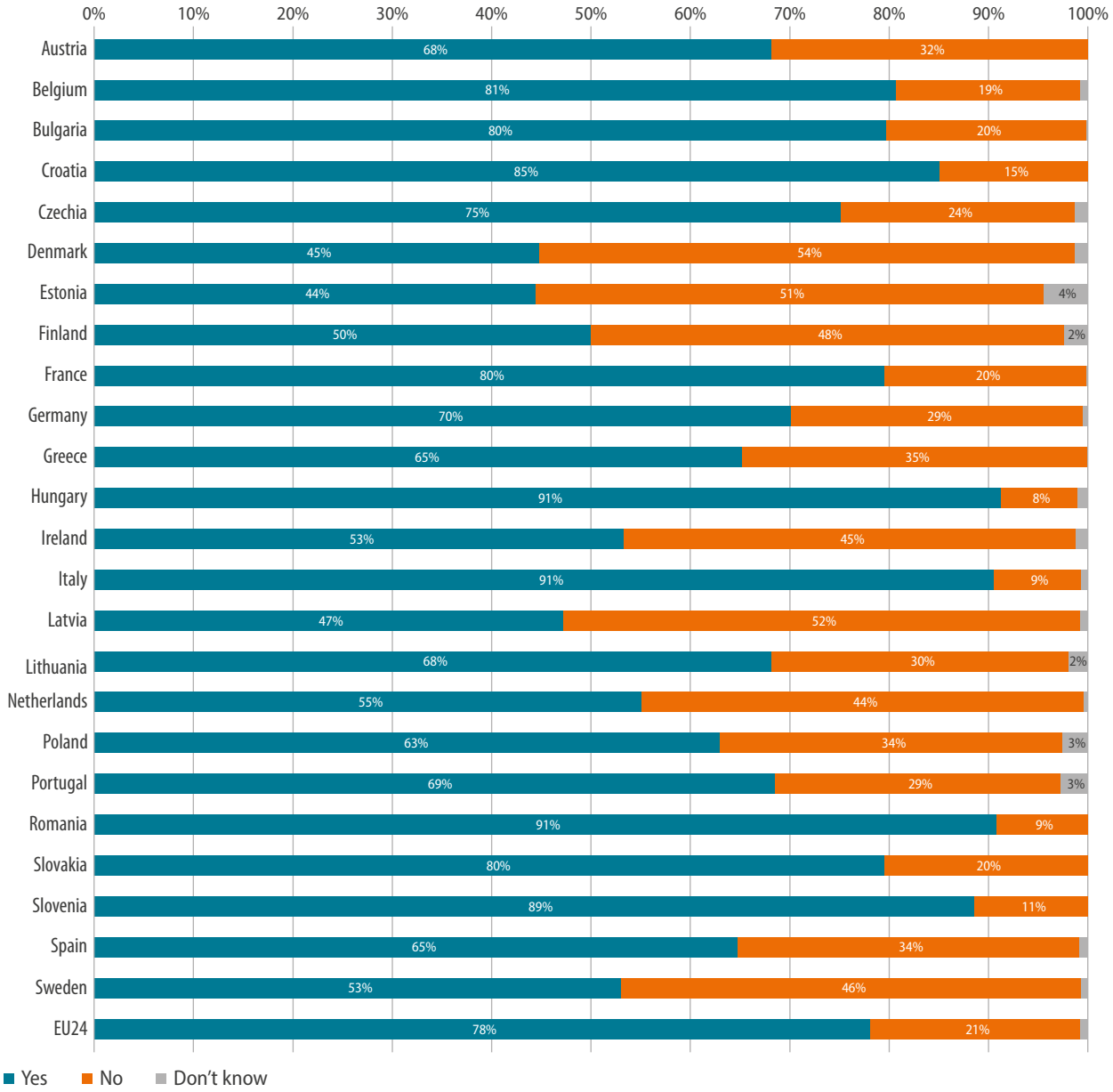
The majority of farmers (78%) have felt impacts of climate change and changing weather patterns on their agricultural activities in the past 3-5 years.

The highest proportion of these farmers were in Southern and Eastern European Member States. The countries with at least 85% of farmers reporting such impacts are Hungary, Romania, Italy, Slovenia, and Croatia (Figure 4.1).

Conversely, in Northern Europe and the Baltics, the impact of climate change is less pronounced. In Denmark, Finland, Estonia, Latvia, the Netherlands and Sweden, around half or more of the farmers indicated that climate change did not have a significant impact on their agricultural activities.

Climate events and changing weather patterns are very relevant to agriculture, as they pose significant challenges and risks to productivity, profitability and sustainability. Events such as droughts, extreme weather, pest infections and fires can lead to crop failure, reduced yields, livestock losses and damage to agricultural infrastructure. As a result, farmers may require financial support to recover from climate-related losses, invest in climate-resilient infrastructure and technology, as well as implement adaptation and mitigation measures.

Figure 4.1: In the last 3-5 years, have you noticed any impact from climate change and related changes in weather patterns on your business activity?



Source: Own calculations based on question Q.18, see Annex I.

Droughts were the most prevalent climate event impacting 86% of farmers across the EU, followed by extreme weather events (68%) with considerable regional differences.

Droughts were the most prevalent climate event, with 86% (Figure 4.2) of farmers reporting it impacted their activities in the past 3-5 years. Countries where more than 90% of farmers were impacted by droughts were Belgium (96%), Romania (93%), Slovakia, France, and Finland (92% each) as well as Czechia (91%). Interestingly, none of these countries are traditionally classified as drought-prone regions. However, water scarcity might be felt more acutely by farmers in these regions compared to areas where a lack of precipitation is not a new phenomenon. Denmark and Ireland seem to have been affected by drought the least (45% and 47%, respectively).

Dry conditions severely affect crop yields, particularly in regions heavily reliant on rain with inadequate irrigation. Water management strategies, improved irrigation infrastructure, and climate-resilient agricultural practices might be crucial to mitigating the impacts of water scarcity.

Extreme weather events, including sudden temperature change, frost, humidity, hail and floods were the second most common climate events, experienced by 68% in the past 3-5 years. Lithuania (88%), Latvia (86%), Greece (85%), Austria (80%), and Ireland (78%) had the highest share of farmers affected by these extreme weather events, while the lowest percentages were in the Netherlands (48%), Sweden (49%), Hungary (53%), Belgium (53%), and Denmark (55%).

Flooding, storms and heavy rainfall could lead to waterlogging, soil erosion, crop failure and damage to infrastructure, while sudden temperature changes, frost or hailstorms can significantly damage crops, particularly vineyards, orchards and other vulnerable sectors. These events highlight the need for adaptation, investment in resilient agricultural practices and improved risk management to mitigate the impact on production.

Pest infections and animal diseases impacted about one-fourth of agricultural enterprises, while fires had less impact (4%).

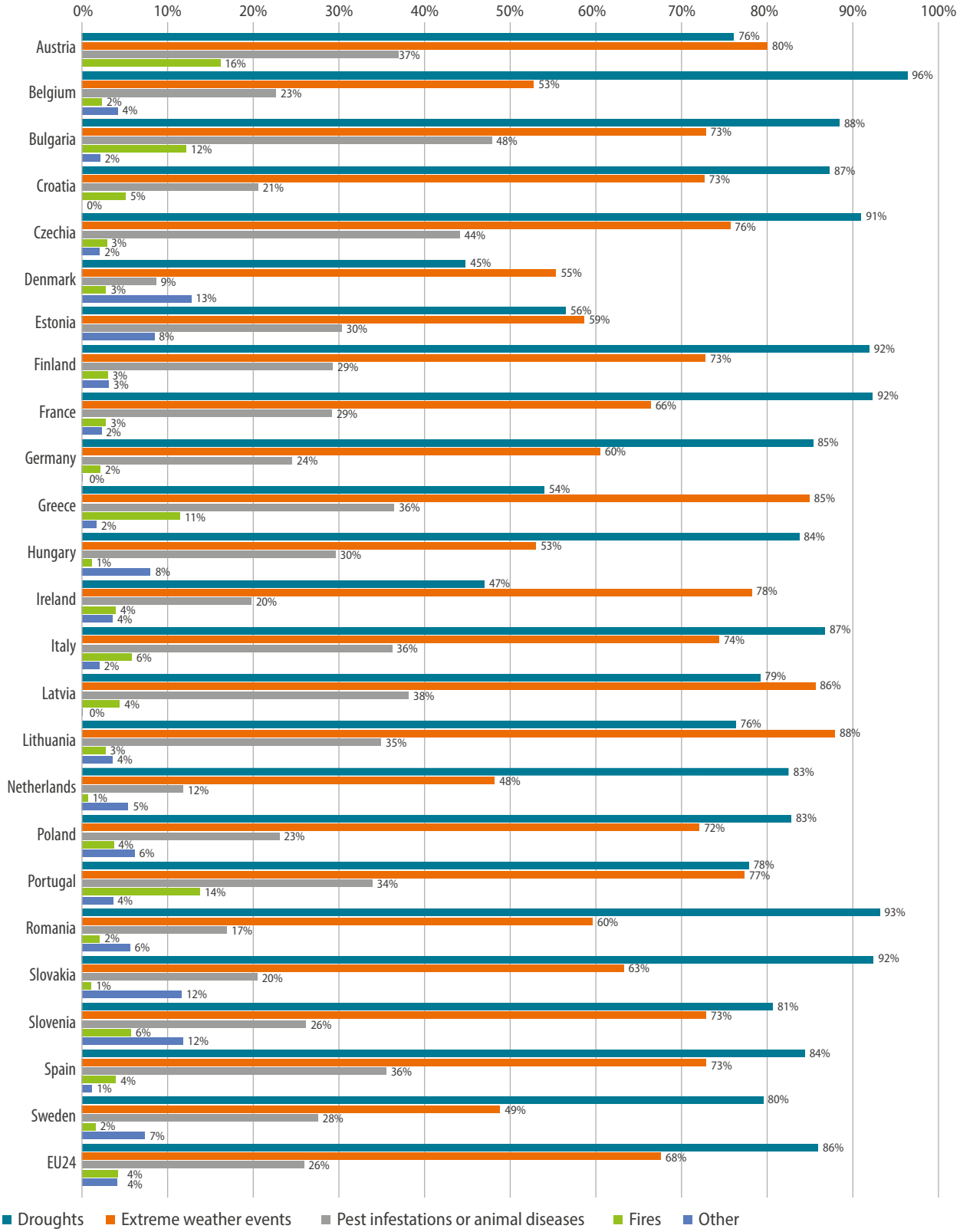
Pest infections impacted 26% of agricultural enterprises at the EU-24-level (Figure 4.2). However, certain Member States experienced these more. Bulgaria (48%), Czechia (44%), Latvia (38%), Austria (37%), Spain, Italy, and Greece (36%) stand out as countries where pest infections had a significant impact on farming.

Pest infections often lead to reduced crop yields, lower quality and increased production costs due to the need for pest control measures. Farmers use integrated pest management, pesticides and crop rotation to mitigate the impacts of pests. Livestock diseases (e.g. swine fever) also have an impact.

Fires, being more local, varied in severity and geographical distribution across the regions. They played a less significant role at EU-24-level, with only 4% of farmers reporting their impact. Nevertheless, in Portugal, Bulgaria and Greece at least 10% of farmers experienced fires within the past five years.

These fires not only resulted in immediate loss of crops, grazing, livestock, forests and infrastructure but also had long-term effects on soil quality, biodiversity, and ecosystem services. Mitigating investments include fire prevention measures and promoting sustainable land management practices.

Figure 4.2: Which of the following events, if any, have impacted your activity?



Source: Own calculations based on question Q.19, see Annex I.

There seems to be a discrepancy between the number of farmers impacted by climate change and those who actively invested in climate-resilient practices in the last three years.

Among climate-related investments carried out by agricultural enterprises, the primary focus has been on reducing energy and fuel consumption. Approximately 29% of farmers invested to reduce energy and fuel use on their farms (see Figure 4.3). Almost all agricultural enterprises (90%) invested up to EUR 100 000 in this area in the last three years (Table 4.1). This has been influenced by the rise in energy prices since 2021, which has heightened awareness of energy efficiency and cost savings.

About 23% of agricultural enterprises have invested in irrigation over the past three years, though the majority implemented investments of less than EUR 10 000. This indicates a significant gap in terms of measures to manage water resources in the agricultural sector. However, farm-level investments alone are often not sufficient to address broader water management challenges without large (mainly public) infrastructure. On-farm irrigation systems can be limited by factors such as inadequate water sources, uneven water distribution, outdated technology and poor infrastructure.

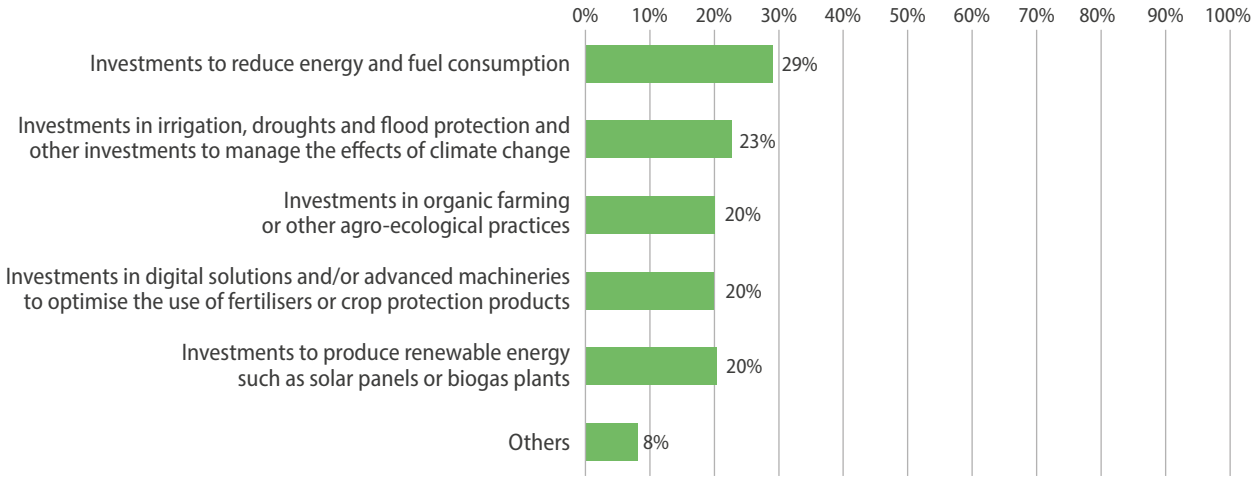
Investments related to organic farming, digital solutions and renewable energy were implemented by approximately one-fifth of farmers. While investments in organic farming and digital solutions tend to be on a smaller scale, with a majority investing less than EUR 10 000, investments in renewable energy production are more diverse. These can involve larger, more complex projects (such as biogas plants). Investments in each of these categories alone, or in combination, contribute to reduced greenhouse gas emissions, enhanced carbon sequestration and optimised resource use.

Table 4.1: Amount invested to increase environmental sustainability and improve climate resilience in the last 3 years

	Investments to reduce energy and fuel consumption	Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change	Investments in organic farming or other agroecological practices	Investments in digital solutions and/ or advanced machineries to optimise the use of fertilisers or crop protection products	Investments to produce renewable energy such as solar panels or biogas plants
Amount (EUR)	Frequency distribution	Frequency distribution	Frequency distribution	Frequency distribution	Frequency distribution
1-10 000	41%	60%	53%	49%	34%
10 001-100 000	49%	34%	41%	41%	53%
100 001-500 000	8%	4%	6%	8%	10%
500 001-1 000 000	1%	1%	0%	1%	1%
>1 000 000	1%	1%	0%	1%	2%

Source: Own calculations based on question Q.20a, see Annex I.

Figure 4.3: Investments to increase environmental sustainability and improve climate resilience in the last 3 years, EU-24-level



Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

Investments[30] in sustainability practices across EU-24 agricultural enterprises reveals significant variations between Member States (Figure 4.4).

The highest percentage of agricultural enterprises that invested in reducing energy and fuel consumption were in Slovakia, Netherlands (52% each), and Spain (47%). On the other hand, Bulgaria (18%), Italy (20%), Belgium and France (both, 22%) saw the least.

For investments in irrigation and managing climate-change impacts, Portugal (38%), Spain (37%), and Czechia (30%) emerge as the top countries.

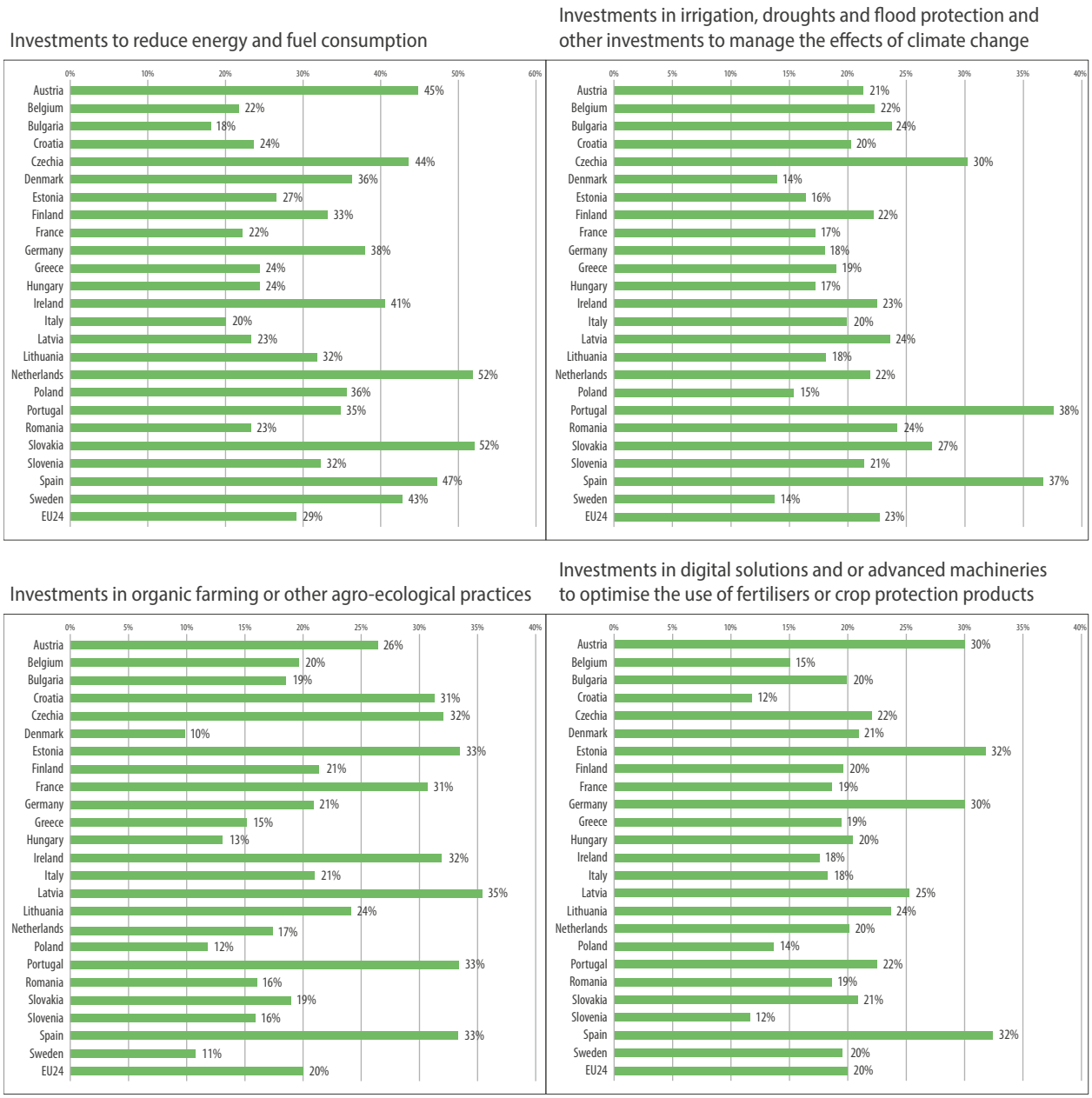
For investments in organic farming and agro-ecological practices, Latvia (35%), Estonia, Portugal and Spain (33% each) stand out.

In terms of digital solutions and advanced machinery to optimise fertilizer and crop protection, the top countries are Estonia and Spain (32% each) along with Austria and Germany (30% each), while Slovenia and Croatia (12% each) and Poland (14%) have the lowest shares of farmers investing in such solutions.

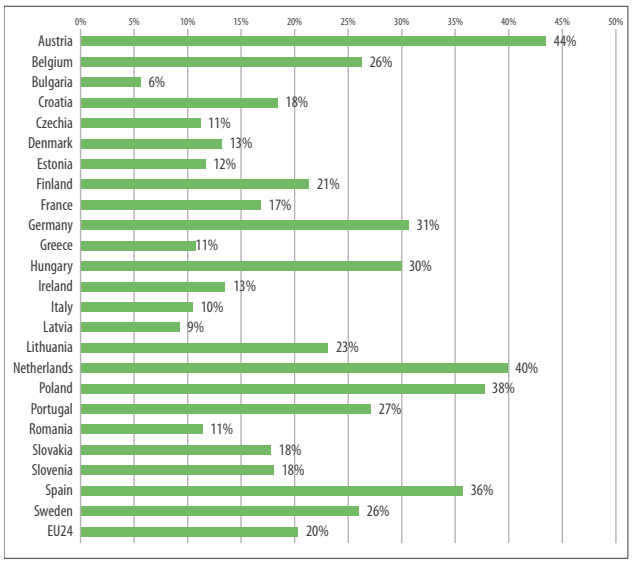
Regarding renewable energy production, Austria (44%), Netherlands (40%) and Poland (38%) have the highest shares of agricultural enterprises investing in technologies such as solar panels or biogas plants. On the other hand, countries with the lowest proportions are Bulgaria (6%), Latvia (9%) and Italy (10%).

30 Using bank finance or other resources, including own capital.

Figure 4.4: Farms that invested to increase environmental sustainability and improve the climate resilience of their farm



Investments to produce renewable energy such as solar panels or biogas plants



Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

Farmers' future expectations show a strong inclination towards energy-related investments, with a significant focus on renewable energy production and reducing energy and fuel consumption.

Environment and climate-related investments are shifting towards energy-related measures (Figure 4.5). Nearly half the agricultural enterprises (47%) intend to invest in renewable energy technology such as solar panels or biogas plants in the next three years. Additionally, 36% of farmers are planning investments to reduce energy and fuel consumption during the same period. Around half the agricultural enterprises are considering investing EUR 10 001 to EUR 100 000 in each of these areas (Table 4.2).

This shift towards energy-related investments reflects a clear objective of agricultural enterprises to reduce their reliance on traditional energy sources, lower operational costs and decrease the impact of external shocks such as energy prices or supply disruptions. By generating their own renewable energy and implementing energy-efficient practices, farmers not only gain greater control over their needs but also contribute to reducing greenhouse gas emissions and improving the resilience and sustainability of their agricultural holdings.

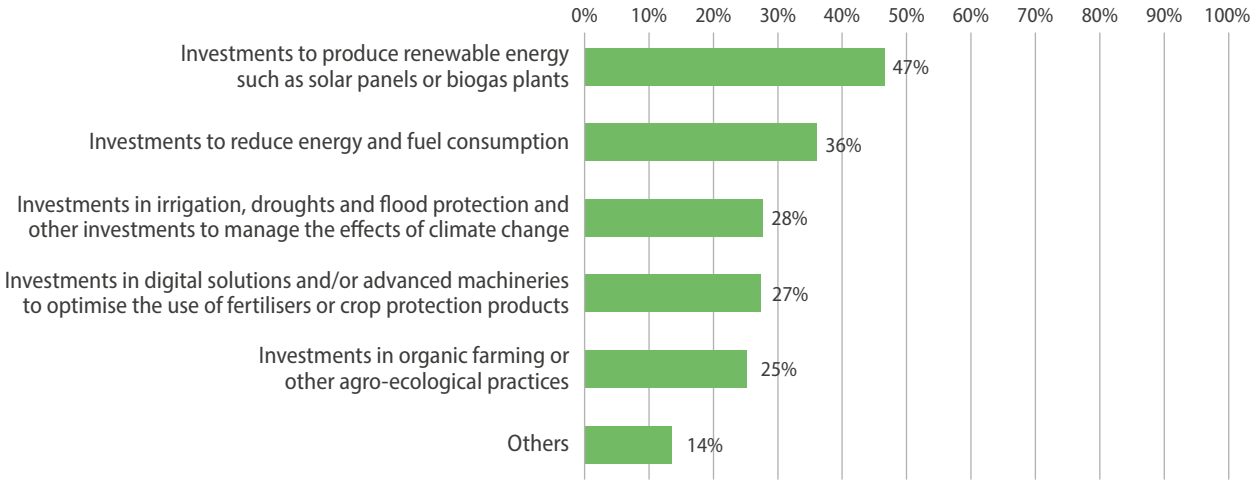
Investments in irrigation, digital solutions and organic farming are also on the horizon for about one in four agricultural enterprises, indicating a modest but balanced interest in these practices. The planned investment tends to be lower, with 39-45% of farmers planning investments below EUR 10 000 and an additional 43%-48% targeting investments of EUR 10 001 to EUR 100 000.

Table 4.2: Amount farmers plan to invest in specific areas to increase environmental sustainability and improve climate resilience in the next 3 years

	Investments to reduce energy and fuel consumption	Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change	Investments in organic farming or other agroecological practices	Investments in digital solutions and/ or advanced machineries to optimise the use of fertilisers or crop protection products	Investments to produce renewable energy such as solar panels or biogas plants
Amount (EUR)	Frequency distribution	Frequency distribution	Frequency distribution	Frequency distribution	Frequency distribution
1-10 000	37%	43%	45%	39%	32%
10 001-100 000	49%	46%	43%	48%	54%
100 001-500 000	11%	8%	9%	9%	10%
500 001-1 000 000	1%	1%	1%	1%	2%
>1 000 000	2%	2%	3%	3%	2%

Source: Own calculations based on question Q.20b, see Annex I.

Figure 4.5: Farms planning investments to increase environmental sustainability and improve climate resilience in the next 3 years, at EU level



Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

Investment plans reflect a growing awareness of the importance of sustainable practices and technological advances, especially in Eastern European Member States (Figure 4.6).

For investments in renewable energy production, Croatia, Romania, and Austria had the highest shares of agricultural enterprises planning investments in technologies such as solar panels or biogas plants, with 60%, 59%, and 57% respectively. Conversely, Denmark (27%), Italy (34%), Estonia and Sweden (35% each) have the lowest proportions. Except for Sweden (26%), past investments in these countries were also below the EU-24 average (10-13% vs 20%). The largest increase compared to past investments (Figure 4.4) was in Croatia, Romania, and Ireland, with at least 40 percentage points increase.

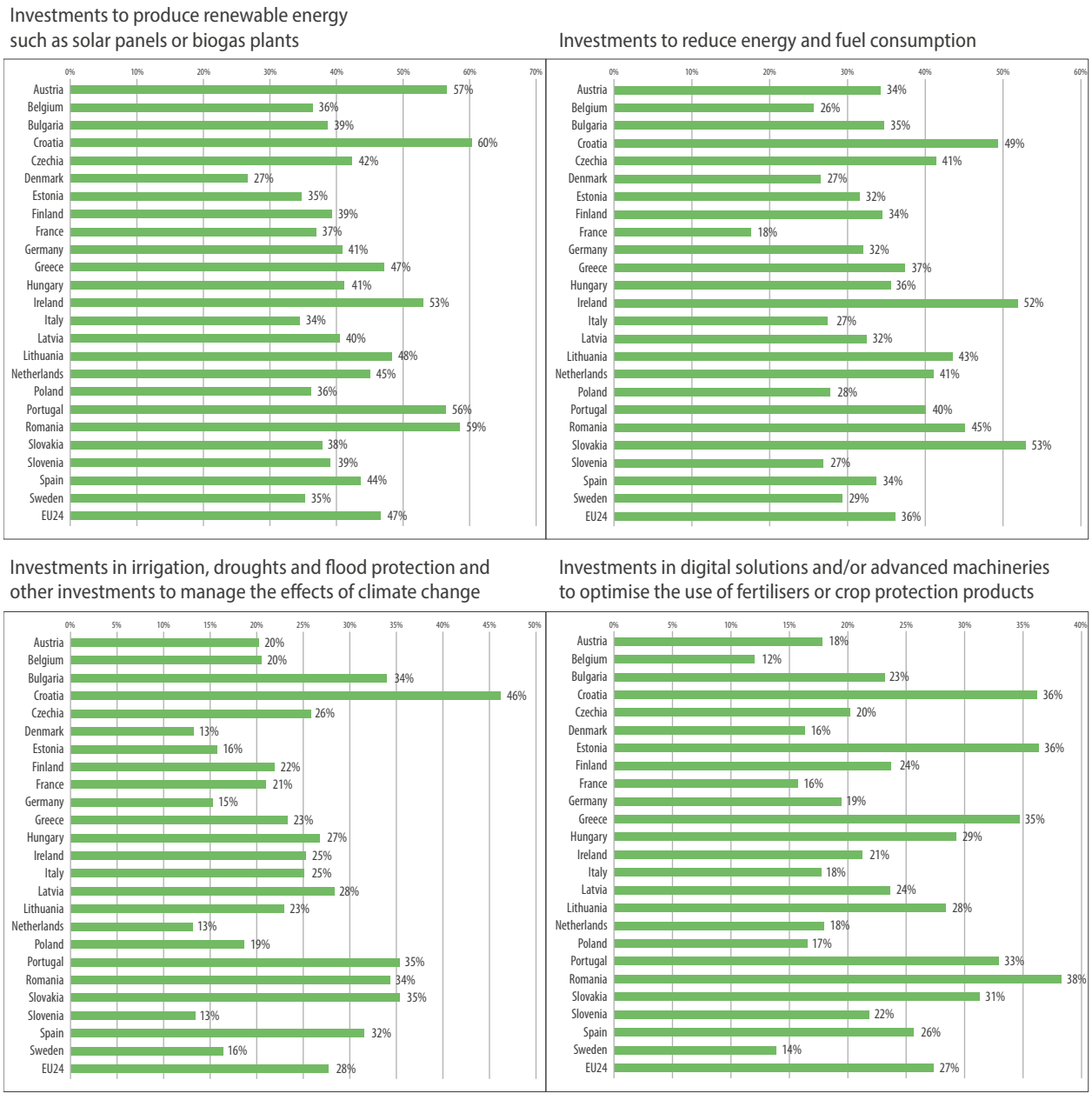
The countries with the highest share of agricultural enterprises planning investments to reduce energy and fuel consumption are Slovakia (53%), Ireland (52%) and Croatia (49%). On the other hand, France (18%), Belgium (26%) as well as Denmark, Italy and Slovenia (27% each) have the lowest proportions, partially because of previous investments. The largest increase compared to past investments (Figure 4.4) is in Croatia and Romania with at least 20 percentage points increase.

For investments in irrigation and managing climate change impacts, Croatia (46%) stands out, followed by Portugal and Slovakia (35% each). Conversely, the Netherlands, Denmark and Slovenia (13% each) have the lowest proportions of farmers planning such investments. The largest increase compared to past investments is in Croatia (26%) followed by Romania, Bulgaria and Hungary with 10 percentage points increase.

In terms of investments in digital solutions and advanced machinery to optimise fertilizer and crop protection product use, the top countries are Romania (38%), Croatia and Estonia (36% each), while Belgium (12%), Sweden (14%) Denmark and France (16% each) have the lowest proportions of farmers planning such investments. The largest increase compared to past investments can be observed in Croatia and Romania with at least 20 percentage points increase.

For investments in organic farming or agro-ecological practices, Croatia (38%), Portugal (36%) and Estonia (35%) stand out. On the other hand, Denmark and Sweden (10%) have the lowest proportions of farmers planning investments in organic farming. The largest increase in anticipation compared to past investments is in Hungary and Romania with at least a 15 percentage points increase.

Figure 4.6: Farms planning investments to increase environmental sustainability and improve climate resilience in the next 3 years, by Member State

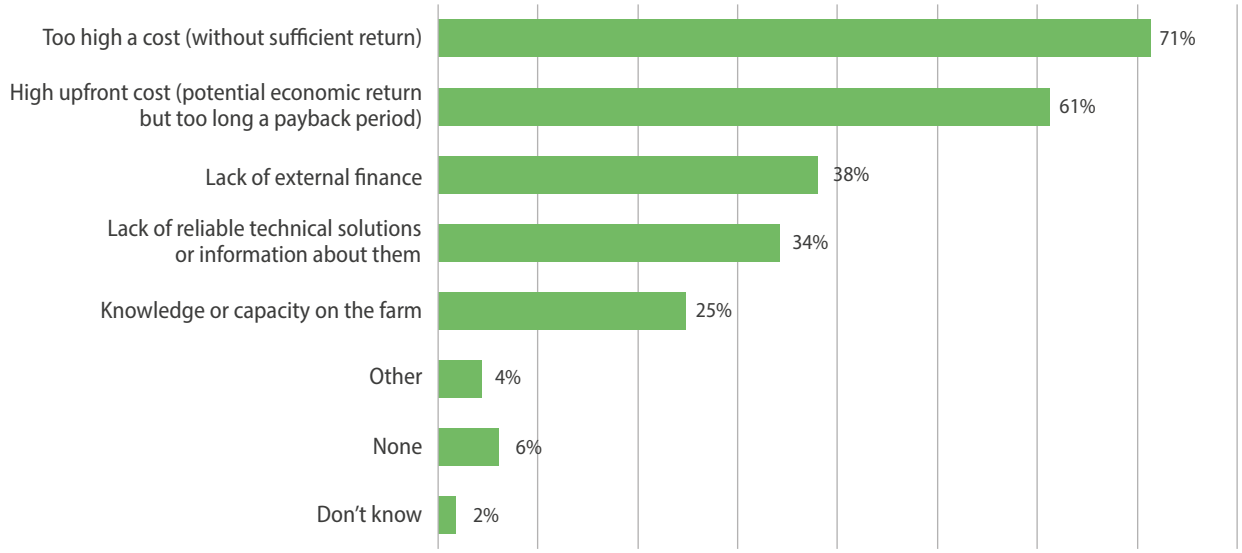


Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

The main obstacle hindering investments in climate and environmental sustainability is high costs.

High costs without sufficient return were the main obstacle for many farmers looking to invest in climate and environmental sustainability (Figure 4.7). A significant majority (71%) indicate this as the main obstacle, with Finland (82%) and Romania (78%) showing the highest shares (Figure 4.8). Moreover, 61% of agricultural enterprises noted the challenge of high upfront costs, with Finland experiencing the highest proportion (85%), followed by Latvia, Poland, and Portugal (75% each).

Figure 4.7: Most significant obstacles for investing in climate and environmental sustainability



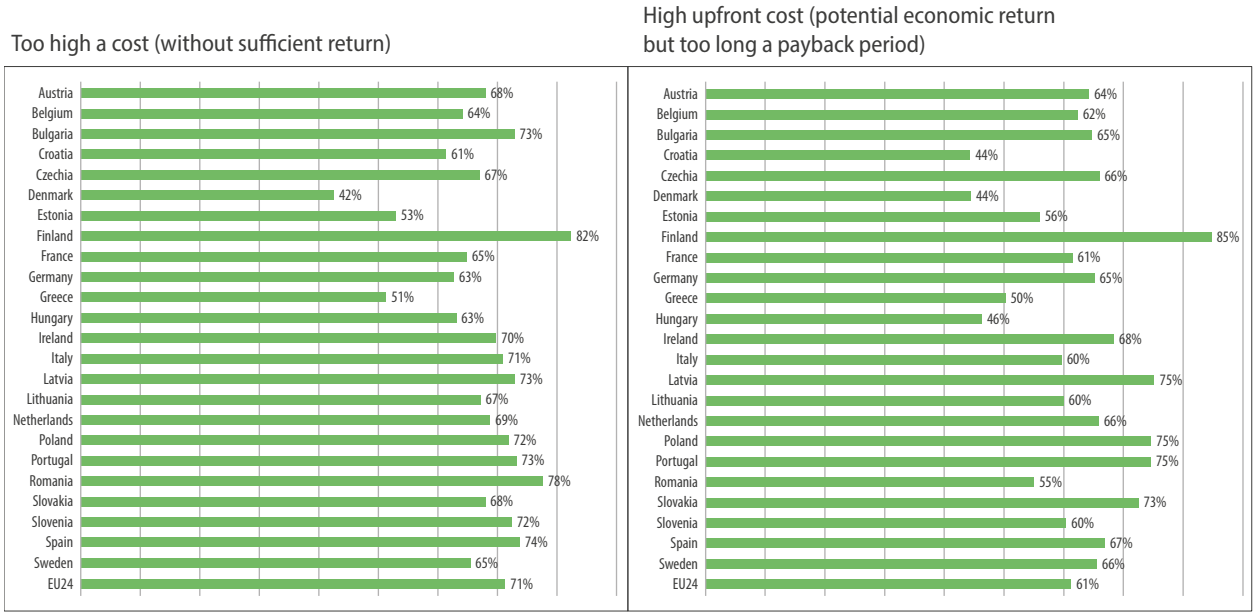
Source: Own calculations based on question Q.22 (multiple answers possible), see Annex I.

Difficulties related to access to external finance were reported by 38% of the enterprises, with notable variations between Member States (Figure 4.8). Bulgaria had the highest percentage of farmers indicating a lack of external finance as a major obstacle (over 50%), followed by Romania (45%) and Lithuania (44%). This opens possibilities for Member States to create thematic financial instruments under their CAP Strategic Plans to respond to this need.

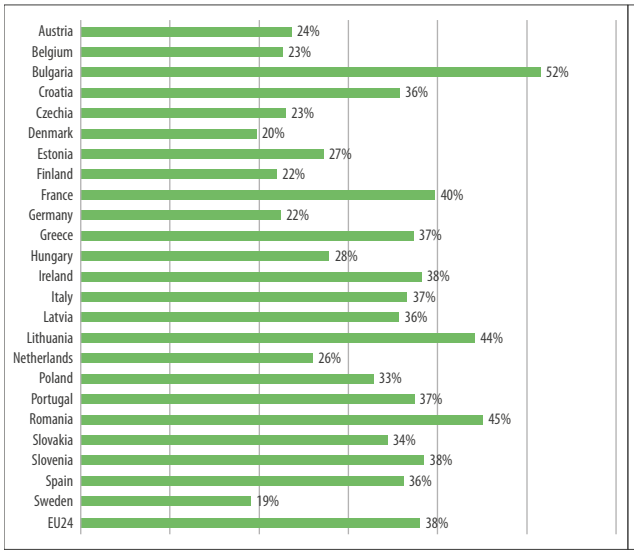
In contrast, agricultural enterprises in Northern and Western Europe, such as Sweden, Denmark, Finland, and Germany reported fewer challenges to access external financing for climate-related investments, which could be explained by the well-functioning banking systems in these countries.

Lack of information about technical solutions was identified as an obstacle by 34% of farmers, with higher percentages in Ireland (42%), Spain (39%), and Bulgaria, France, and Portugal (38% each). Knowledge or capacity at farm level was perceived as less problematic but still affected 25% of agricultural enterprises (Figure 4.7). The lack of knowledge and/or capacity in farms was particularly important in Ireland (47%) and Lithuania (40%), while it was much less relevant in Slovenia (10%), Estonia and Hungary (12% each). The data underlines the importance of technical assistance, communication networks and the delivery of relevant and thorough information through different channels (newsletters, fairs, communication campaigns, special advisory schemes, etc.)

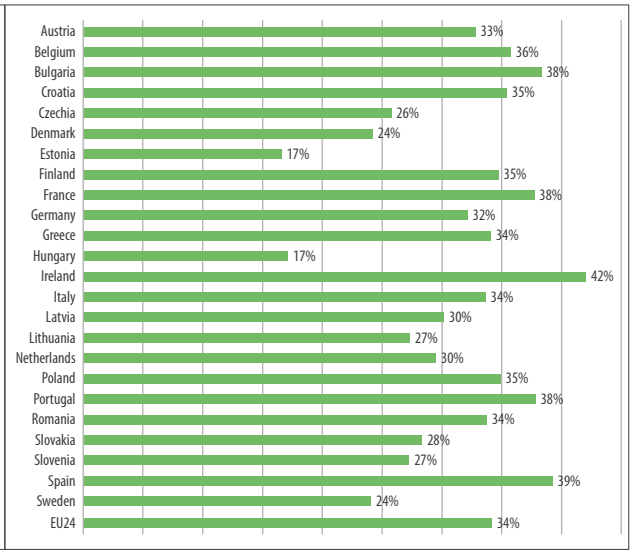
Figure 4.8: Most significant obstacles for investing in climate and environmental sustainability, by Member State



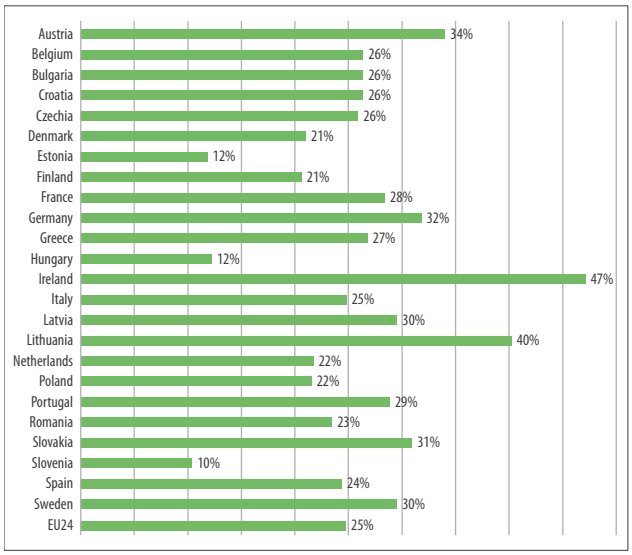
Lack of external finance



Lack of reliable technical solutions or information about them



Knowledge or capacity on the farm



Source: Own calculations based on question Q.22 (multiple answers possible), see Annex I.

05 Financial needs by category of farm

This section compares agricultural enterprise groups based on:

- enterprise manager age - younger or older than 40 (i.e. young farmers vs. others);
- enterprise size in terms of UAA (small: 0 – 20 hectares; medium: 20 – 100 hectares; large: > 100 hectares);
- enterprise manager gender;
- macro-sectors (non-perennial crops, perennial crops, animal production, mixed farming).

Key findings

By farmer age:

- Young farmers are increasingly embracing more market-oriented financial management of their farms, with increased demand for bank finance, while older farmers tend rely more on resources from their family or friends;
- Young farmers have more confidence in approaching banks and more success in securing bank finance compared to 2017 (90% vs. 70%);
- Despite these significant improvements, young farmers' access to finance is limited by their lack of credit history, with more bank risk aversion and policy restrictions compared to their older colleagues;
- More than half of young farmers anticipate increased financing needs, compared to 42% of older farmers;
- Both age groups show more intent for sustainability and climate-related investments, with young farmers focusing more on digitalisation and organic farming.

By farm size:

- Small farms show notably lower application rates for all types of bank financing compared to medium and large enterprises;
- A greater use of resources provided by private individuals compared to banks finance, suggests unmet demand for bank financing among small enterprises;
- There is a strong correlation between enterprise size and confidence in approaching banks for finance;
- Small farms have more unsuccessful loan applications;
- Small farms focus more on irrigation and working capital, while large farms prioritise digitalisation;
- Small farmers anticipate more investment, have a positive outlook on turnover and profits, along with a growing intention to make climate-related investments;
- There is a positive correlation between farm size and climate-related investments.

By gender:

- Male farmers display greater demand for bank finance while female farmers lean more towards using resources from relatives and friends;
- Fear of rejection is relatively more relevant for female farm managers as a deterrent to applying for bank financing;
- There is slightly more success in securing bank finance for female farmers compared to male farmers.

By macro-sector:

- Animal producers have greater needs for short-term financing, while other sectors lean more towards investment finance;
- Producers of perennial crops are more confident in approaching banks and show the highest success rate in obtaining bank loans, while mixed farming has the lowest;
- Around half the farmers expect increased financing needs, except in the perennial crop sector, which is more restrained;
- Crop producers have outpaced animal producers for investments in environmental sustainability and climate resilience, but the sectors converge in their future intentions for climate-related investments;
- The Russian invasion of Ukraine impacted crop producers more significantly than animal producers;
- The majority of all farmers (78% to 81%) across the sub-sectors expect increased or stable financing needs in the next 2-3 years.

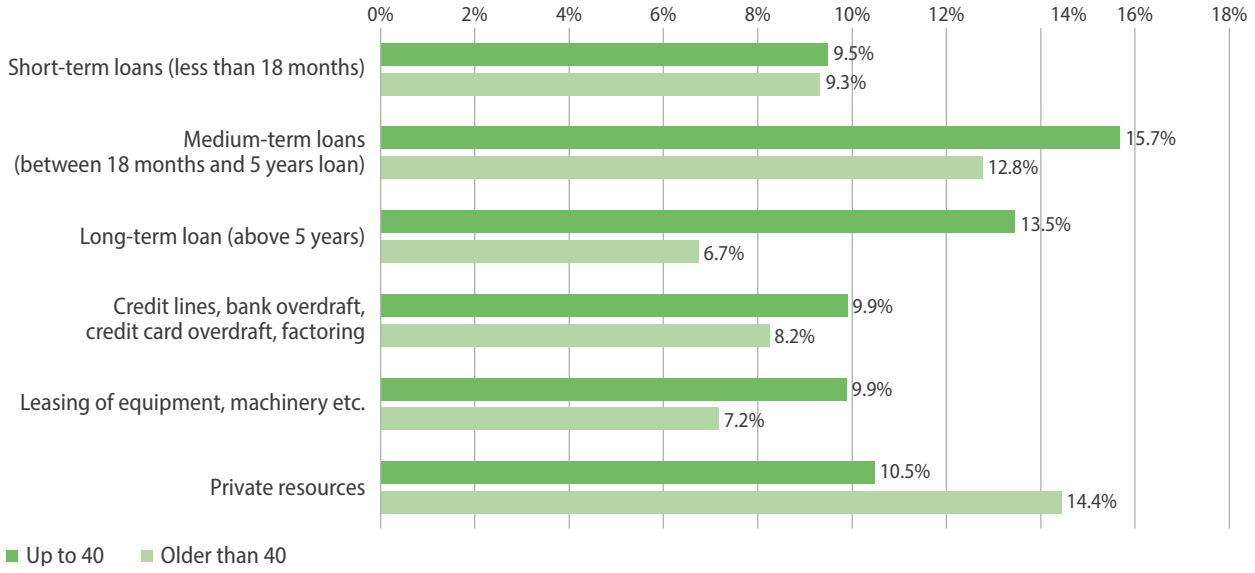
5.1 By farmer age

Young farmers have more demand for bank products, especially medium- and long-term loans, while older farmers tend to rely more on private resources.

Among those who applied for finance in the previous year, young farmers required more medium- and long-term loans (16% and 14%, respectively) compared to older farmers (13% and 7%, respectively) (Figure 5.1). Young farmers, on assuming ownership or management of a farm, are frequently motivated to make significant improvements and modernisations, including using advanced technology, upgrading equipment and expanding infrastructure. These are often crucial to ensuring long-term viability and growth for the farm. Conversely, older farmers may have already made significant investments (including through CAP support). They may not wish to further expand their business, change production orientation, or are in debt from previous loans, which reduce large-scale investments. They tend to rely more on financial resources from relatives or friends (14% vs. 11% for young farmers).

The application rate for short-term loans was similar between the two age groups showing widespread working capital needs, independent of the farmer's age.

Figure 5.1: Share of young and old farmers applying for financing in the previous year (2022)



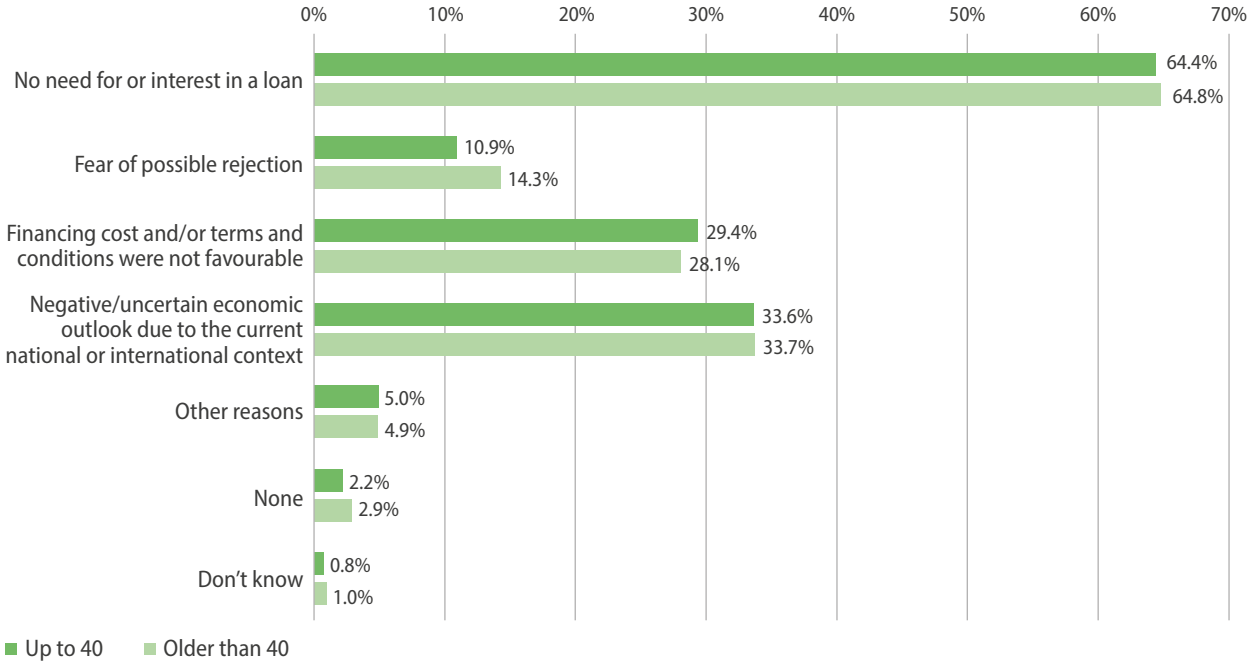
Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

Confidence in approaching banks has reversed between the two age groups.

The attitude to applying for bank finance appears similar between the two age groups. The only distinction is that older farmers are more likely to not apply due to fear of rejection (Figure 5.2). Interestingly, in the previous survey, young farmers had a higher share of those not applying for finance due to fear of rejection compared to older farmers[31]. This shift in behaviour could indicate that the new generation of farmers is increasingly embracing a more market-oriented approach and strategic outlook, including greater willingness to seek external financing. CAP support for young farmers has also significantly increased over the last two programming periods (between 2014-2022 and 2023-2027) with much more flexible eligibility conditions and investment requirements. The new rules allow CAP-funded financial instruments to support young farmers purchasing any amount of land (within the maximum support rate) and more flexibility regarding design and conditions for such financial instruments.

31 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

Figure 5.2: Key reasons for not applying, bank finance

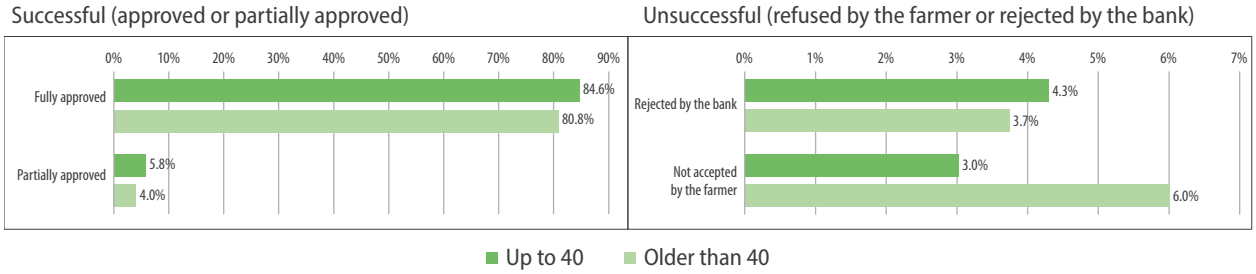


Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Young farmers have more success in securing bank finance in 2022 compared to 2017.

The rejection rate for young farmers in 2022 has significantly decreased, from 27% to 4% since the previous survey[32], significantly narrowing the gap with older farmers (Figure 5.3). Older farmers are twice as likely to reject loans due to cost and loan conditions (6%) compared to young farmers (3%). This is not necessarily positive and could be explained by greater pressure on young farmers to use external financing as highlighted earlier. Based on the survey, after submitting a loan application, young farmers are more likely to obtain the loan (in full or partially) compared to their older colleagues. This is a significant positive change compared to 2017 (90% vs. 70% success rate).

Figure 5.3: Result of the application, bank finance



Source: Own calculations based on question Q.16, see Annex I.

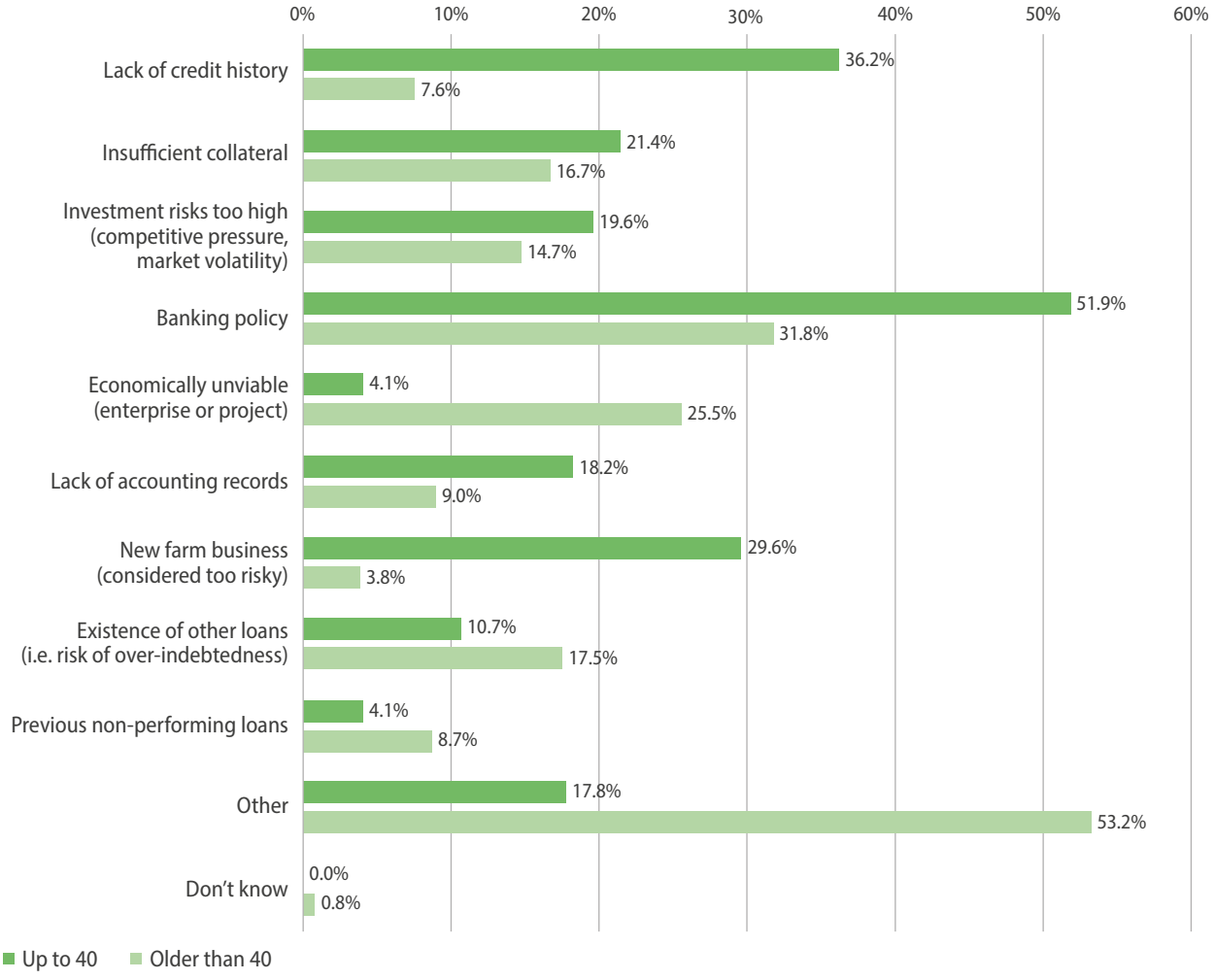
32 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

Young farmers are more penalised by banking policies, risk considerations and lack of credit history, for rejected loan applications.

More than 50% of rejected applications from young farmers are due to bank policy, whereas for older farmers this is 32% (Figure 5.4). Almost 30% of young farmer rejections are because the risk for new businesses is too high, which is significantly lower for older farmers (4%). Another major hurdle for young farmers is the lack of credit history, affecting more than 36% of their applications, while only 8% of older farmers encounter the same issue.

In contrast, farmers over 40 years old have more rejections (26%) due to the viability of the investment, compared to 4% for young farmers. In addition, older farmers are penalised more for other liabilities, including previous (non-performing) loans. For older farmers, this explains 18% of rejections, compared to 11% for the younger age group.

Figure 5.4: Key reasons given by the bank for rejecting the application, by farm owner/manager age

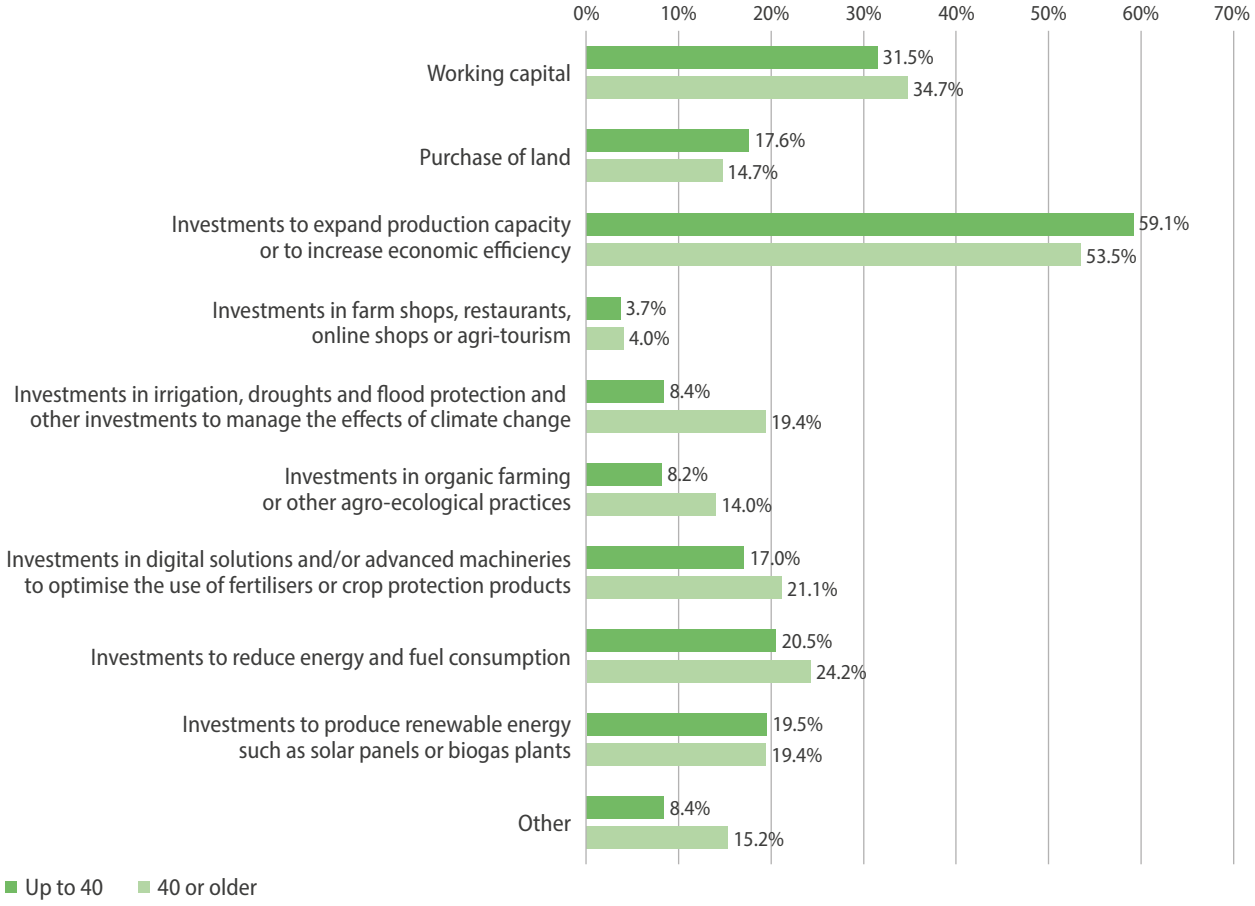


Source: Own calculations based on question Q.17 (multiple answers possible), see Annex I.

Among successful applicants, there are slight differences in financing purposes.

Young farmers are more inclined to invest in expanding production capacity, including new machinery, equipment, or facilities, as well as purchasing land (Figure 5.5). This aligns with their desire to enhance efficiency and improve competitiveness after taking over or starting their business. Older farmers tend to use financing for working capital or enhance environmental sustainability and climate resilience on their farms, which reflects their focus on maintaining rather than optimising existing operations.

Figure 5.5: Main purpose of loans received or partially received

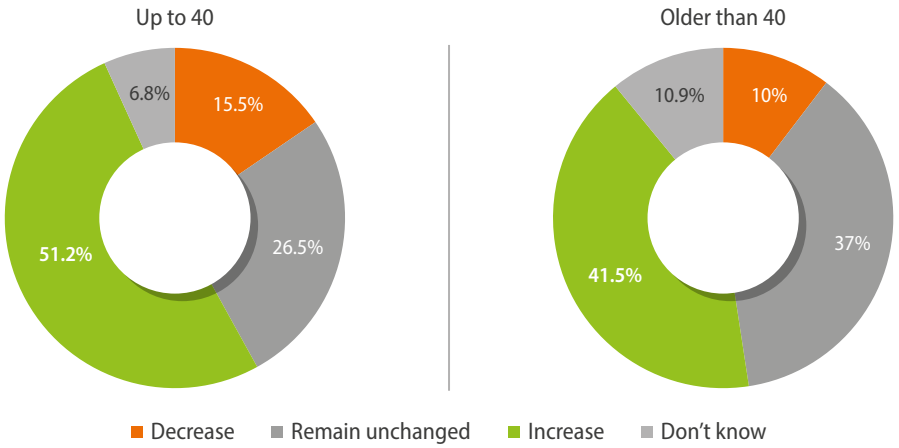


Source: Own calculations based on question Q.15 (multiple answers possible), see Annex I.

More than half of young farmers expect an increase in financing needs.

The survey indicates that more young farmers (51.2%) expect increased financial needs in the coming years, compared to 41.5% of older farmers (Figure 5.6). Conversely, 37% of older farmers expect their financial needs to remain unchanged compared to 26.5% of young farmers. A smaller proportion of both age groups (15.5% of young farmers and 10% of older farmers) anticipate decreased financial needs.

Figure 5.6: Expectations about farms' financing needs in the next 2-3 years

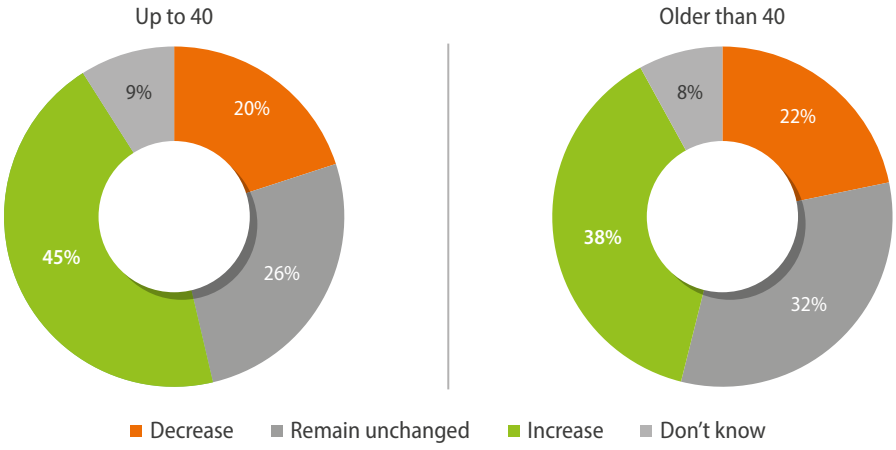


Source: Own calculations based on question Q.10, see Annex I.

Young farmers are more confident than older farmers about increasing turnover and profit.

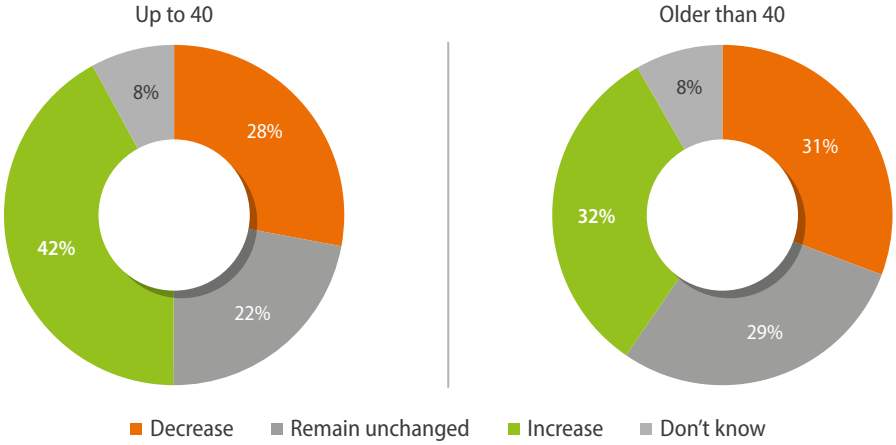
Young farmers have a slightly more positive outlook regarding turnover, with 45% expecting an increase and 20% expecting a decrease, while for older farmers it is 38% and 22%, respectively (Figure 5.7). In terms of profit expectations, young farmers are also more optimistic, with 42% anticipating an increase compared to 32% of older farmers (Figure 5.8). Expectations for farm investments show no significant differences between the two groups (Figure 5.9).

Figure 5.7: Expectations about farms' turnover in the next 2-3 years



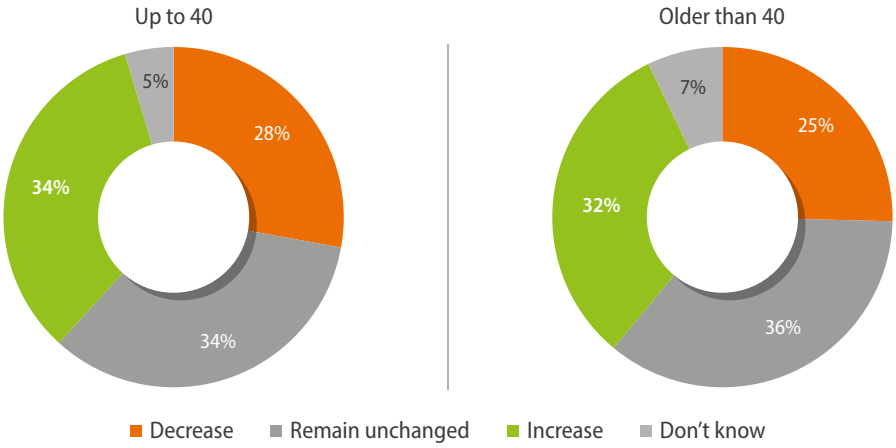
Source: Own calculations based on question Q.10, see Annex I.

Figure 5.8: Expectations about farms' profits in the next 2-3 years



Source: Own calculations based on question Q.10, see Annex I.

Figure 5.9: Expectations about farms' investments in the next 2-3 years

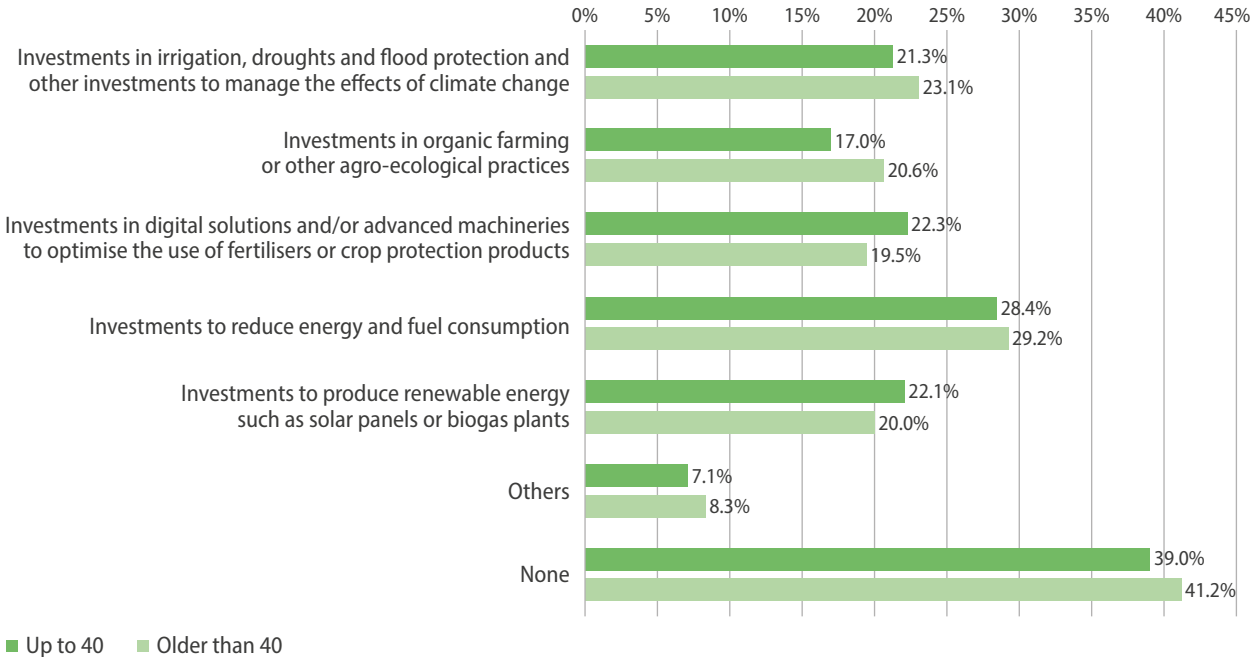


Source: Own calculations based on question Q.10, see Annex I.

No major differences between the two age groups for investments to increase environmental sustainability and improve climate resilience.

The proportion of enterprises that had not made any climate-related investments in the last three years was 39% for young farmers and 41% for older farmers. Young farmers surpassed the older group slightly for investments in digital solutions and advanced machinery, or renewable energy production. The opposite was true for investments in irrigation, organic farming and energy efficiency (Figure 5.10).

Figure 5.10: Investments in the last 3 years to increase environmental sustainability and climate resilience of the farm

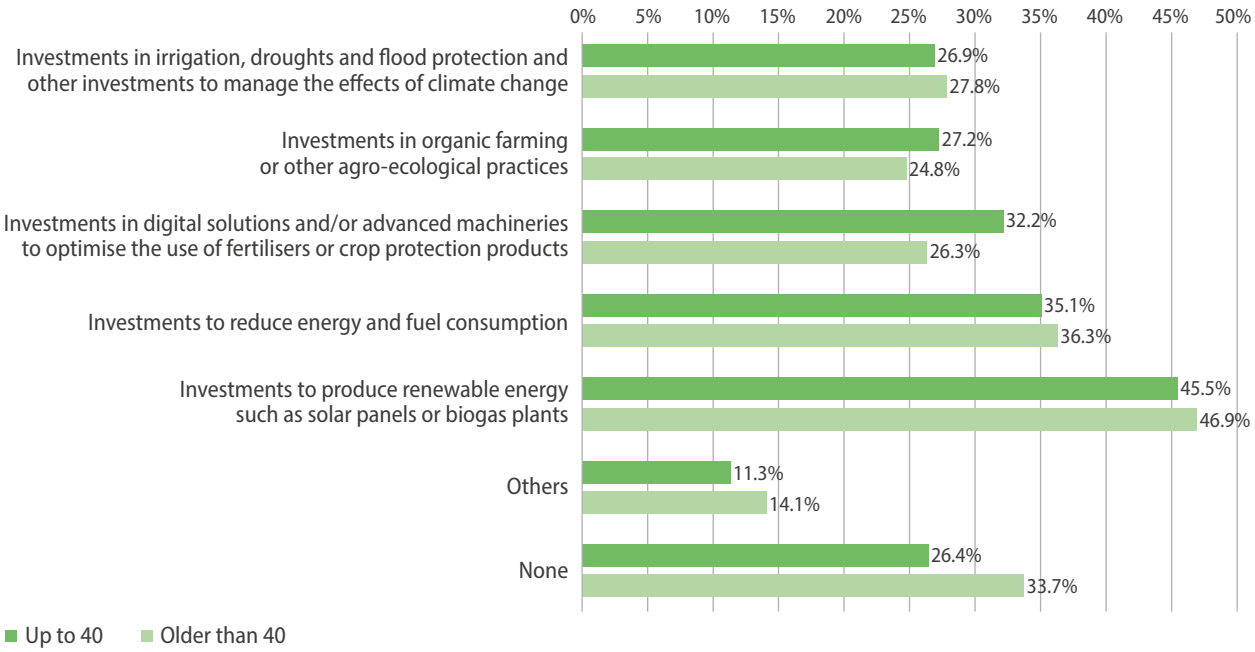


Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

Both age groups show a growing interest in sustainability and climate-related investments in the coming years. Young farmers focus more on those areas (Figure 5.11). Renewable energy investments and energy efficiency remain the leading investment categories.

A larger proportion of young farmers expect to invest in environmental sustainability and climate resilience in the near future. This seems normal business behaviour and a step towards sustainability, after the initial need to stabilise production and income from the (new) farm, modernise its assets and establish it as a business with a medium- to long-term perspective. Compared to the older age group, young farmers expect to focus more on digitalisation and advanced machinery. Conversely, older farmers place more emphasis on irrigation and non-defined actions.

Figure 5.11: Expectations about farm investment to increase environmental sustainability and improve climate resilience in the next 3 years, by Member State



Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

There are no significant differences in the two age groups for major barriers limiting green investments.

5.2 By farm size

This section reviews the survey statistics based on farm size, in terms of UAA. Small farms have less than 20 hectares, medium-sized farms 20 to 100 hectares and large farms more than 100 hectares.

Small farms have significantly lower application rates for bank financing across all categories compared to medium and large enterprises (Figure 5.12).

Short-term finance applications were considerably higher among large enterprises (around 25%), compared to only 7% for small farms and 12% for medium enterprises). The gap widened for medium-term finance, with 10% of small farms applying compared to 32% of large farms and nearly 20% of medium enterprises. There was a similar pattern for long-term loans, where only 4% of small farms applied, compared to 16% for medium enterprises and 26% for large enterprises. This was also reflected in credit lines and leasing applications.

Compared to the previous survey[33], application rates for external financing increased across farm sizes, except small farm applications for long-term loans, which decreased from 4.6% to 4.3%. The most significant difference was large enterprise applications for medium-term loans, which increased by 13 percentage points.

33 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

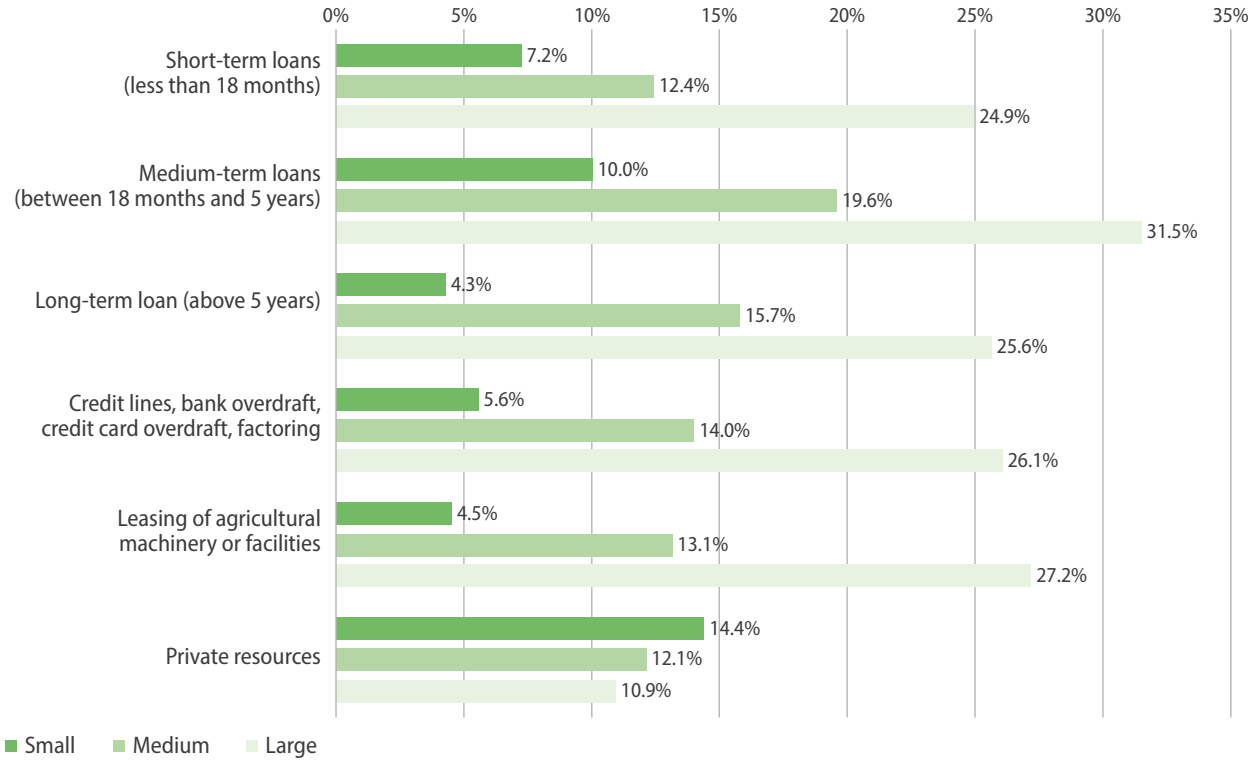
The use of private resources by those who applied for financing indicates financial exclusion for agricultural enterprises, particularly for smaller farms.

The use of resources provided by friend or family members differed across farm size categories. Small farms are more inclined to seek finance from friends and relatives, with 14% relying on such sources, in contrast to 12% and 11% for medium and large enterprises, respectively.

Compared to the previous survey, the use of private resources has remained unchanged for large enterprises, increased by 2% for medium enterprises, and decreased for small farms by 1%.

The higher proportion of private resources compared to external finance suggests an unmet demand for favourable bank financing, particularly among small enterprises.

Figure 5.12: Financing applications in the last year (since the beginning of 2022)



Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

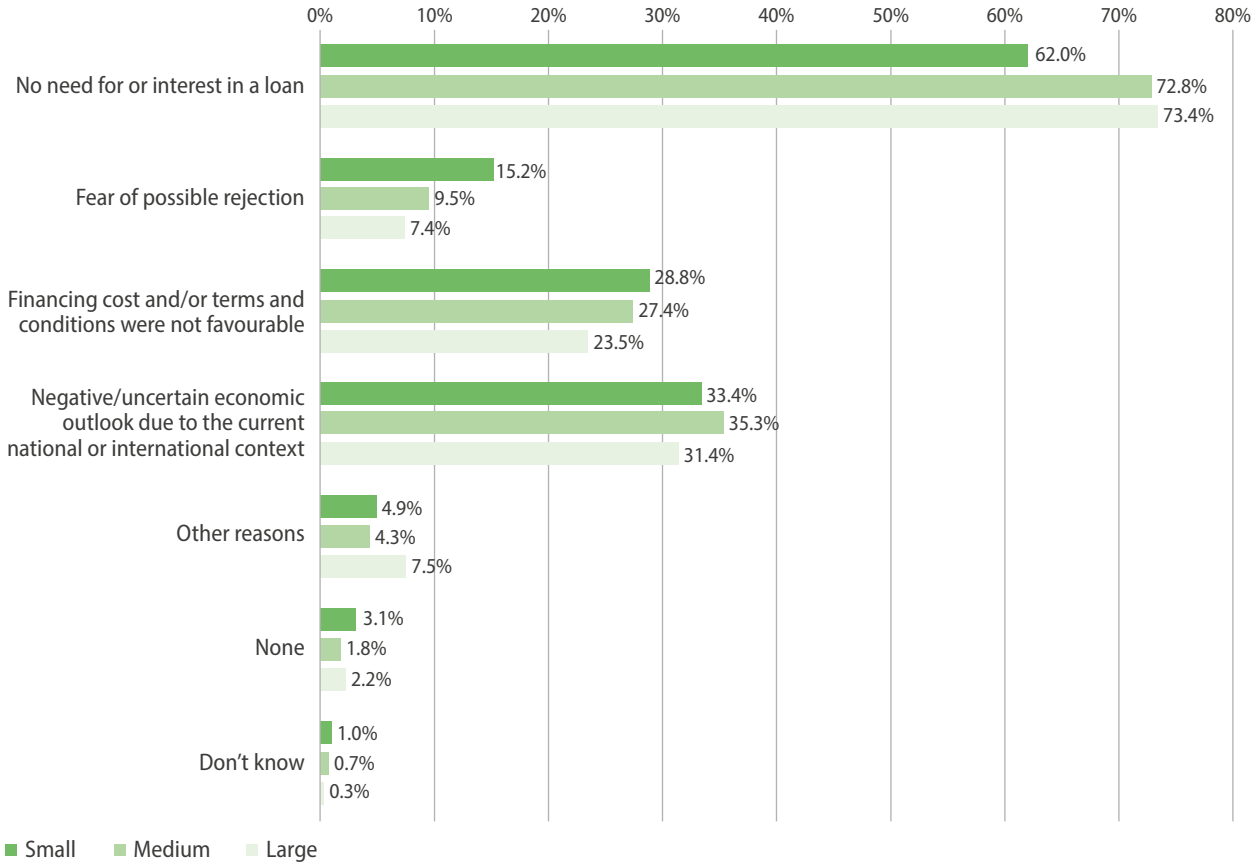
Medium and large enterprises are more inclined to rely on internal financial sources or alternative financing compared to small farms.

The primary reason for agricultural enterprises not applying for bank financing is that they do not need it, having sufficient own or alternative sources of finance (e.g. family and friends, supplier financing, private equity). However, this is more evident among medium and large enterprises (73%), compared to 62% of small farms (Figure 5.13).

There seems to be a strong correlation between the enterprise size and confidence in approaching banks for financing.

A relatively high percentage of enterprises did not apply due to fear of rejection. The difference is particularly notable between the different size categories, with 15% for small farms, 10% for medium-sized farms, and 7% for large farms.

Figure 5.13: Key reasons for not applying for bank finance



Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Small farms have a higher rate of unsuccessful applications, primarily due to refusals by the farmers rather than rejection by the banks.

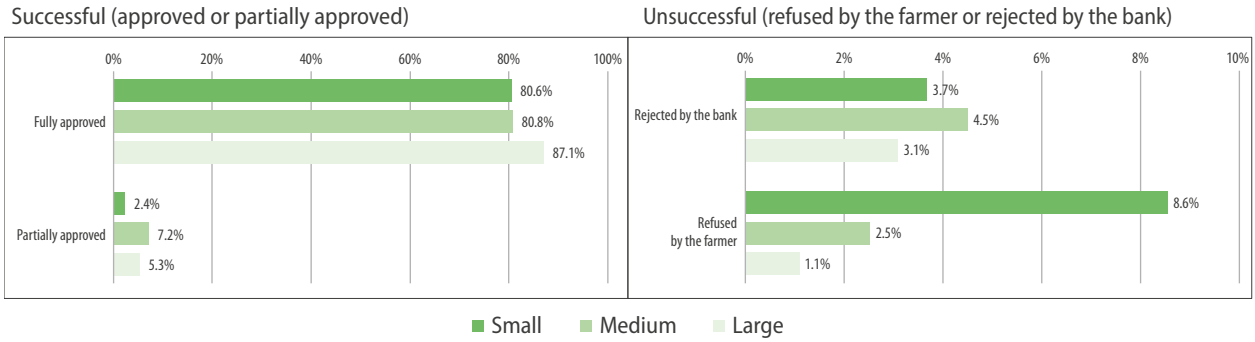
Large enterprises had the highest rate of fully or partially approved applications (92%) across all product categories with the lowest share of unsuccessful applications (4%).

Medium-sized enterprises have the highest proportion of applications (5%) rejected by banks.

Small farmers tend to refuse a loan offer more frequently (9% of applications) compared to medium (3%) and large enterprises (1%) (Figure 5.14). This confirms previous findings that the banking sector is more reluctant to take risks with financing small farms. This creates a window of opportunity for managing authorities of CAP Strategic Plans to set up well-designed financial instruments for smaller agricultural businesses.

There has been a significant shift in unsuccessful applications since the previous survey. In 2017, rejection rates by banks far exceeded offers not accepted by farmers for all farm-size categories, especially for small enterprises (17% rejected by the banks vs. 3% refused by the farmers). However, the trend has reversed for small farmers, with a much higher share of refusals by farmers (9%) than rejections by banks (4%). The high refusal rate could be attributed to less beneficial conditions especially higher interest rates, repayment terms, risk considerations, a lack of collateral and guarantees, higher transaction costs on smaller loans and the limited bargaining power of smaller enterprises.

Figure 5.14: Result of the application, bank finance

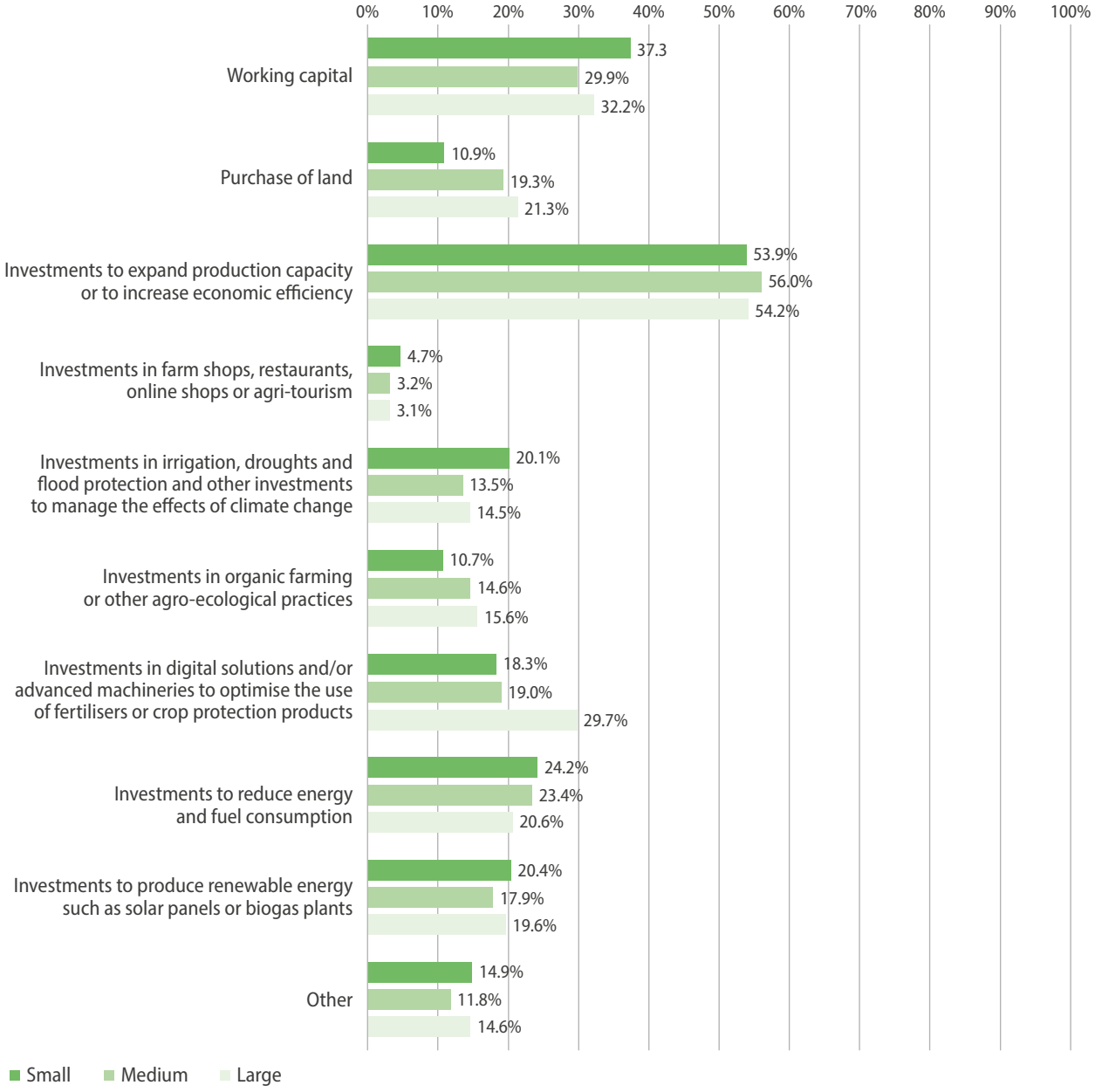


Source: Own calculations based on question Q.16, see Annex I.

Small farms concentrate more on irrigation and working capital, while large farms focus more on digital solutions.

For bank loans, small farms focus more on working capital and irrigation compared to larger farms (Figure 5.15). In contrast, large farms tend to use finance for digital solutions and advanced machinery. Medium and large farms also use finance for investments in organic farming and land purchases more frequently than small farms.

Figure 5.15: Main purpose of the bank loan received and/or partially received



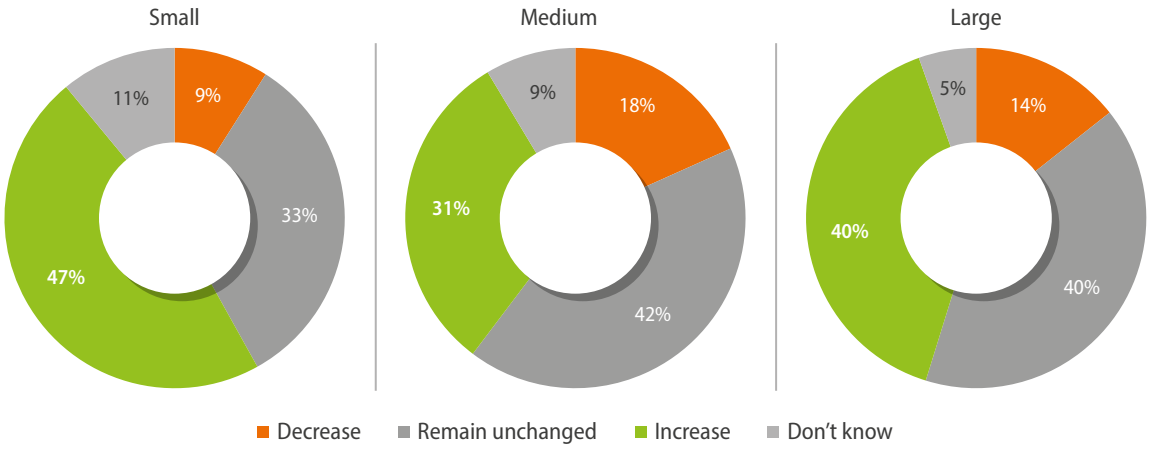
Source: Own calculations based on question Q.15 (multiple answers possible), see Annex I.

Small farms anticipate the highest increase in financing needs for the next 2-3 years, marking a shift compared to 2017.

In terms of future financing needs, there is a notable difference among farm-size categories. About half of small farms (47%) expect an increase in their requirements, while medium-sized enterprises have a more conservative outlook with only 31% expecting an increase and 42% anticipating no changes. Large enterprises show an even split. Overall, the sector remains positive despite recent major crises (Figure 5.16).

Interestingly, the recent crises have brought a significant shift in expectations for financing needs between small and large farms. In 2017[34], a higher share (33%) of large farms expected an increase compared to small enterprises (27%), while in 2022 small farmers dominate. Ultimately, this is a consequence of small businesses suffering more in crisis periods. They are more financially stressed than larger ones and normally need more resources to recover or return to a profitable/successful development path.

Figure 5.16: Expectations about farms' financial needs in the next 2-3 years

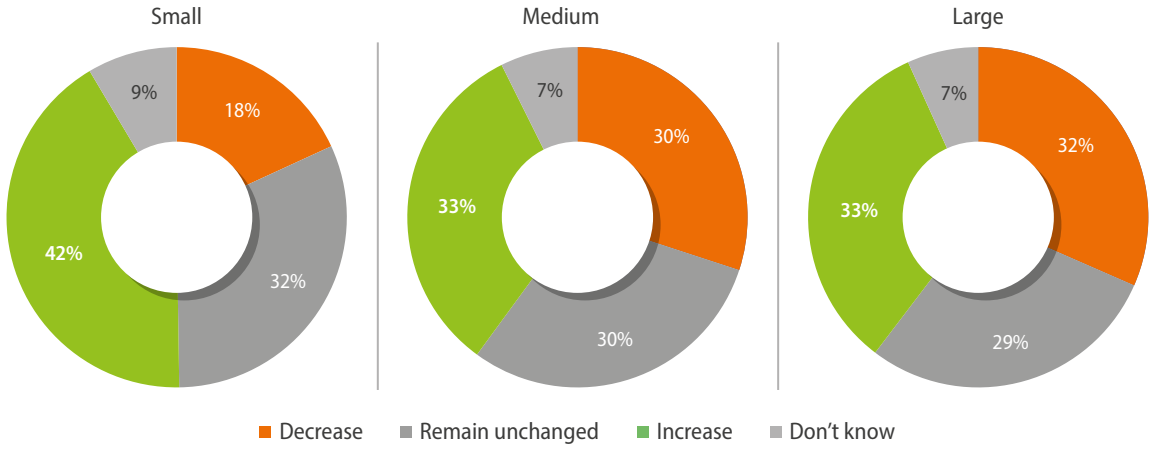


Source: Own calculations based on question Q.10, see Annex I.

Small farmers have a more positive outlook for turnover and profit compared to medium and large enterprises.

Some 42% of small farms anticipate increased turnover with only 18% expecting a decrease (Figure 5.17). On the other hand, medium and large enterprises show a more balanced distribution, as approximately one-third from each category expect an increase, while a similar proportion anticipates a decrease.

Figure 5.17: Expectations about farms' turnover in the next 2-3 years

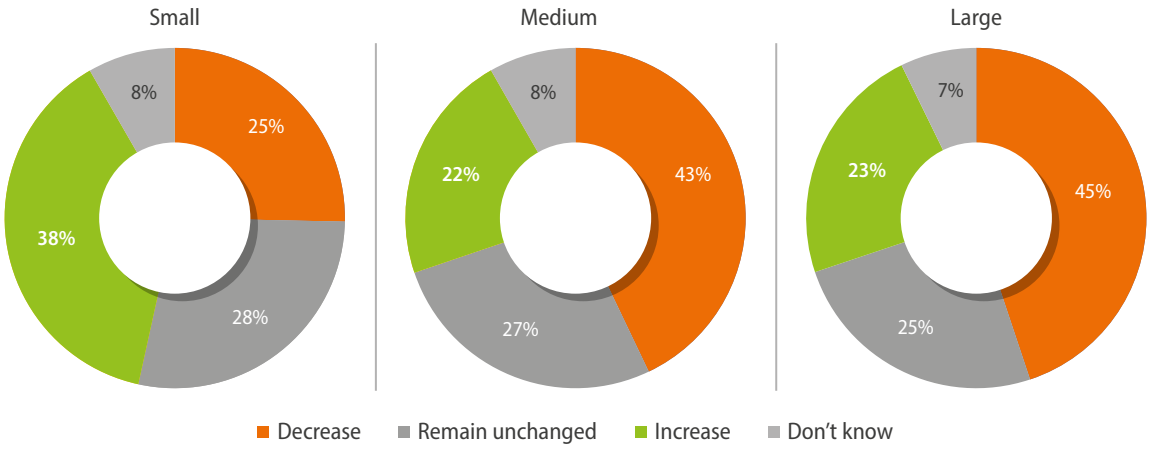


Source: Own calculations based on question Q.10, see Annex I.

34 fi-compass (2019). Survey on financial needs and access to finance of EU agricultural enterprises.

In terms of profit expectations, small farmers again anticipate a more positive trend compared to medium and large enterprises, with 38% of small farms expecting an increase in profit and 28% maintaining the 2022 level (Figure 5.18). For small farmers, an increase in turnover almost equals an increase in profits. On the other hand, medium and large enterprises have a more cautious outlook, as the majority in both categories (43% and 45% respectively) expect lower profits, while only 22% and 23% respectively foresee an increase.

Figure 5.18: Expectations about farms' profit in the next 2-3 years

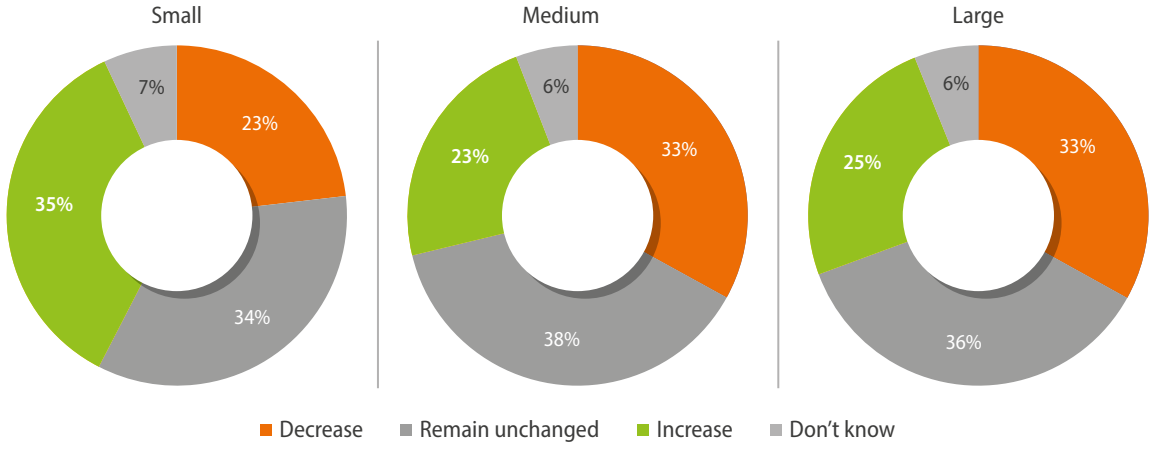


Source: Own calculations based on question Q.10, see Annex I.

More small farmers expect increased investment in the near future compared to medium and large enterprises.

In the next 2-3 years 35% of small farms seem inclined to increase investments, with another 34% anticipating no change (Figure 5.19). Medium and large farms have a more cautious approach, with only 23% and 25% respectively expecting an increase.

Figure 5.19: Expectations about farms' investments in the next 2-3 years

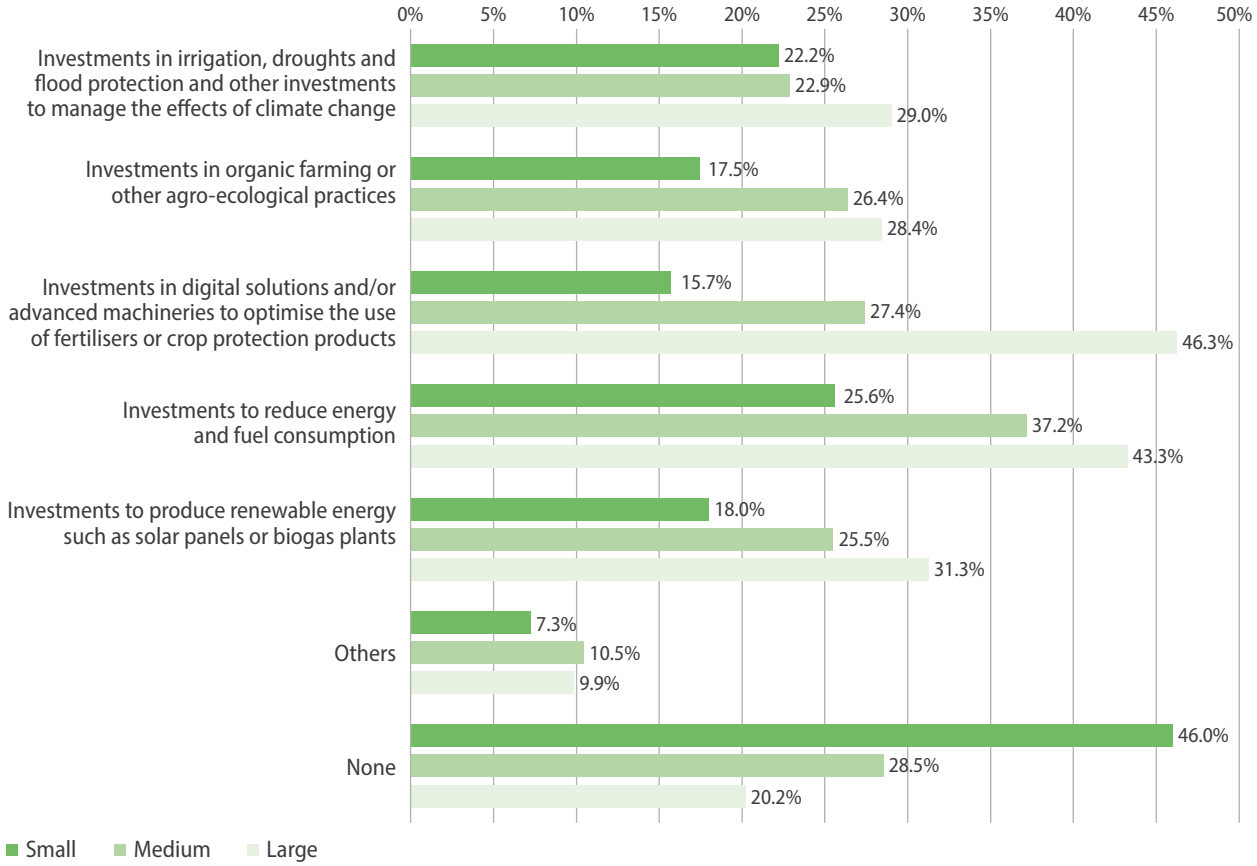


Source: Own calculations based on question Q.10, see Annex I.

There is a clear and positive correlation between farm size and climate-related investments.

Large farms have outpaced smaller ones in environmental sustainability and climate resilience investments over the past three years. Financial power and scale of production, secure markets and incomes enable the medium to long-term planning underlying this. Nearly half the small farms (46%) did not make any climate-related investments during this period. This is considerably lower for medium (29%) and large farms (20%) (Figure 5.20). The only area where small farms are similar to larger farms is investments in irrigation.

Figure 5.20: Investments to increase environmental sustainability and improve the climate resilience of the farm in the last 3 years

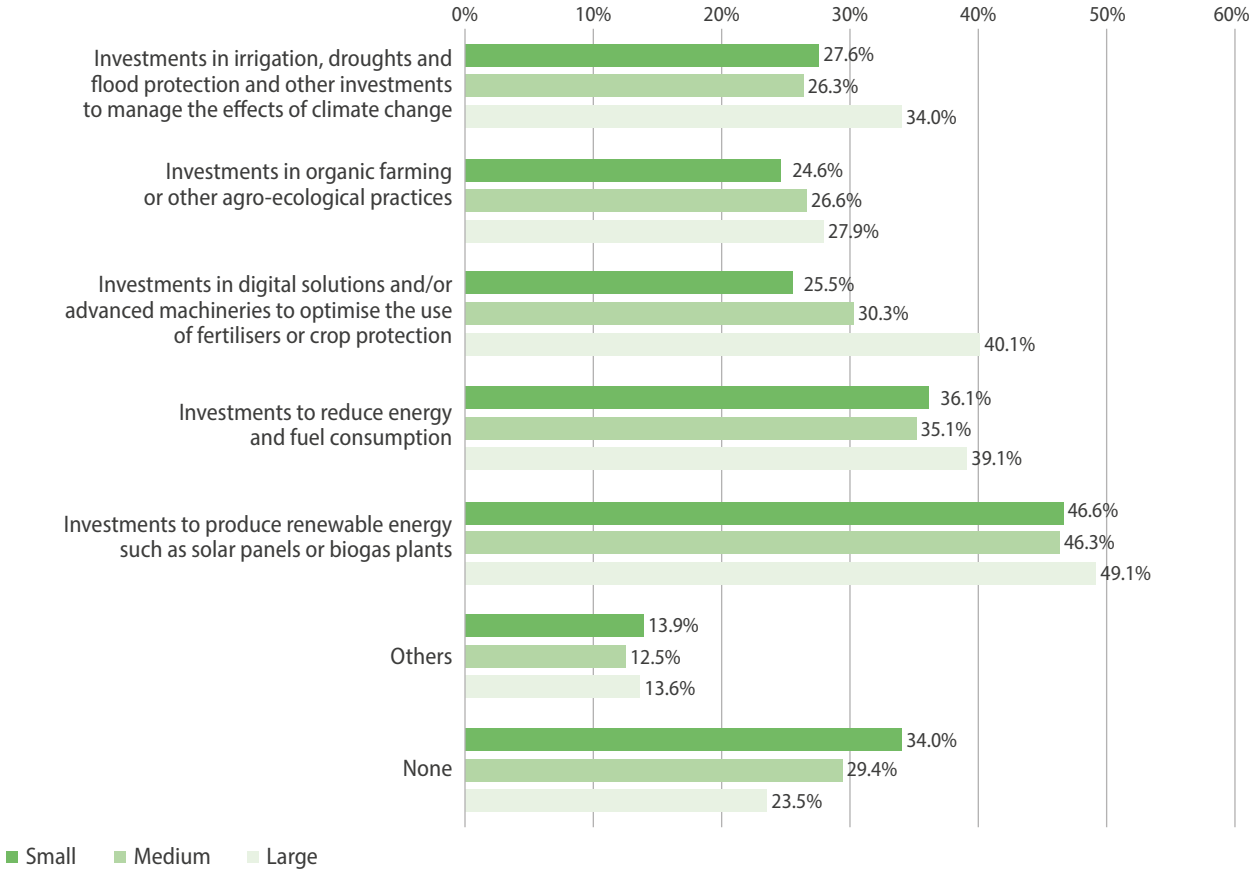


Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

The survey reveals a growing intention among small farmers to make sustainability and climate-related investments in the coming years, while future expectations are generally aligned with past trends for medium and large farms.

While 46% of small farmers reported not making any climate-related investments in the last three years, this is expected to decrease to 34% in the next three years (Figure 5.21). Medium and large farm expectations generally align with those of the last few years for most climate-related investments, except for a substantial increase in renewable energy production. The considerable rise in renewable energy investments, such as solar panels and biogas plants, indicates a clear priority for agricultural enterprises regardless of farm size in the near future.

Figure 5.21: Expectations about farm investment to increase environmental sustainability and improve the climate resilience of farms in the next 3 years



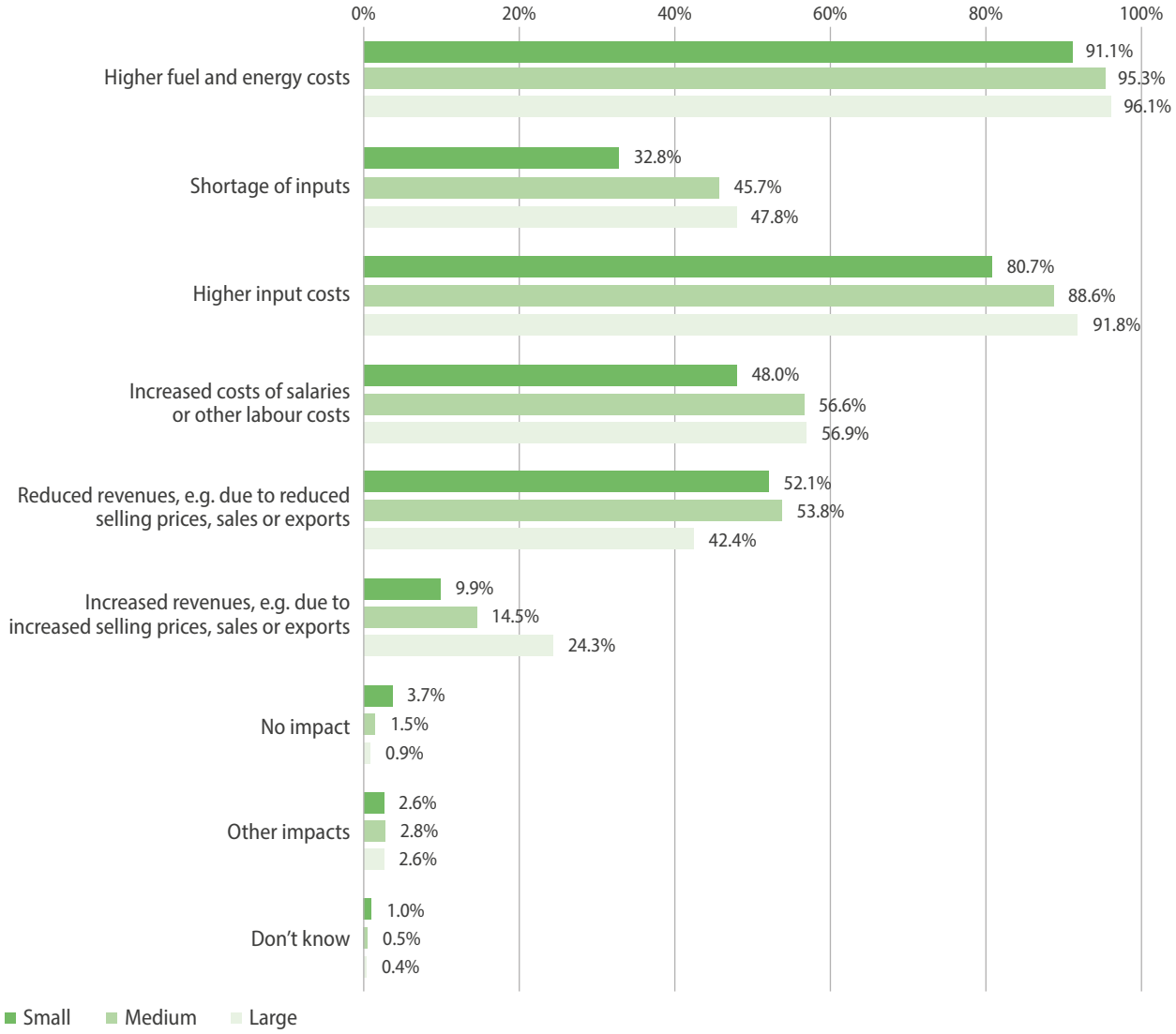
Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

There are no significant differences in major barriers limiting green investments by enterprise size.

The higher costs (i.e. energy, input, labour) resulting from the Russian invasion of Ukraine had a significant impact on large farms, but these also had greater opportunities to benefit from increased selling prices, increased sales and new export opportunities.

The rise in energy costs, particularly fuel prices, has significantly impacted all farm-size categories. Nonetheless, larger farms have been more affected by input shortages and higher input costs compared to small farms. In the current economic circumstances, only a minority of agricultural enterprises have managed to increase their revenues. However, the proportion of those experiencing this increase is strongly correlated with farm size: 24% of large farms, 15% of medium farms and only 10% of small farms achieved higher revenues (Figure 5.22).

Figure 5.22: Impact from the Russian invasion of Ukraine, including the current energy crisis



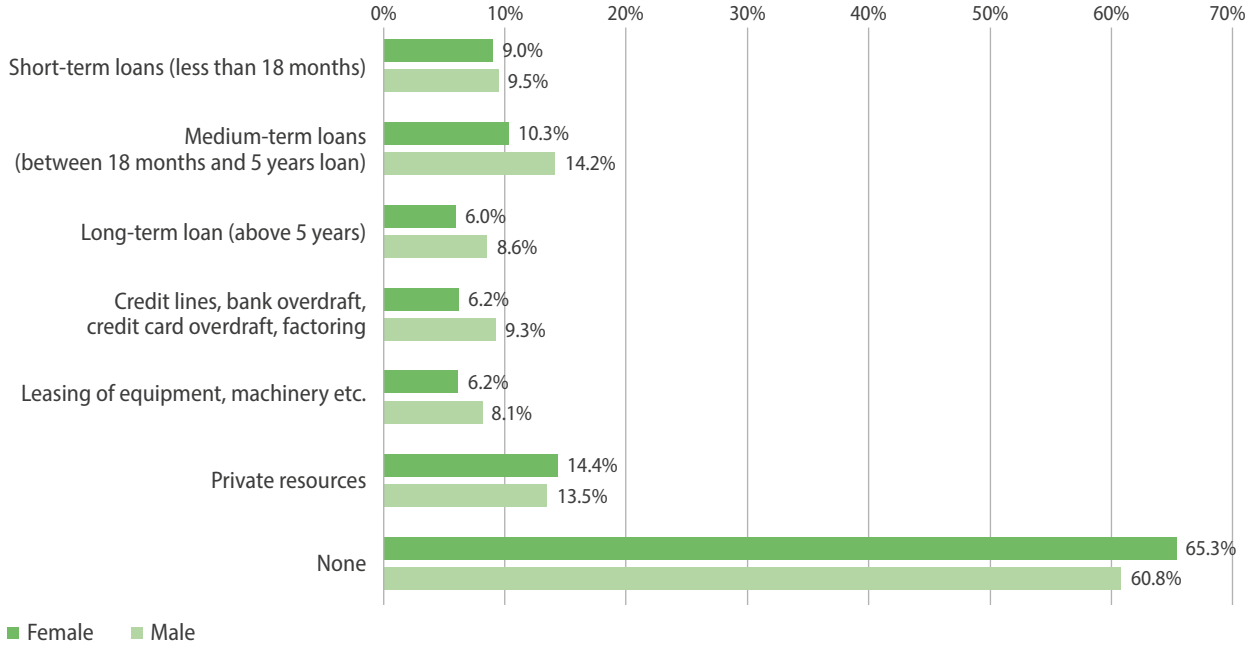
Source: Own calculations based on question Q.9 (multiple answers possible), see Annex I.

5.3 By gender

Male farmers have more demand for external finance, while female farmers tend to rely more on private resources.

As shown in Figure 5.23, male farmers looking for financing in the preceding year were notably more inclined towards medium-term loans (14% vs. 10%), as well as long-term loans (9% vs. 6%) and credit lines (9% vs. 6%). They also showed slight advantages with short-term loans (10% vs. 9%). In contrast, women leaned more towards financial resources from relatives or friends (14% vs. 13%). Female farmers may still encounter more challenges in accessing traditional bank financing. Any policy aimed at stimulating female entrepreneurship in agriculture should have 'access to finance' as a pillar in its structure.

Figure 5.23: Shares of female and male farmers applying for financing in the previous year (2022)

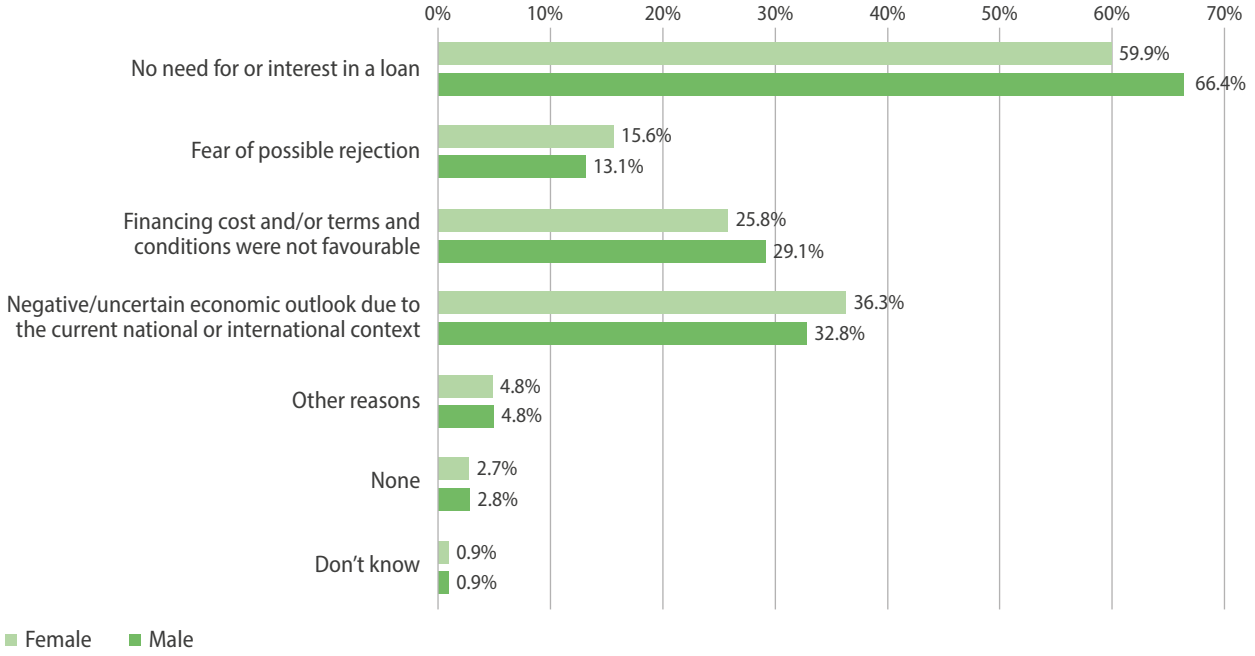


Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

Fear of rejection is somewhat more relevant for female farm managers as a reason to not apply for bank financing.

Female farm managers have slightly less confidence in applying for bank financing, with 16% indicating fear of rejection as the main reason for not applying (compared to 13% of male managers). Additionally, economic risks are more important for women (36% vs. 33%), which makes them more cautious and patient in the financial market. At the same time, male farm managers refrain from applying for bank financing at a higher rate than women due to a lack of interest/need (66 vs. 60%) and unfavourable terms and conditions (29% vs. 26%) (Figure 5.24).

Figure 5.24: Key reasons for not applying for bank finance

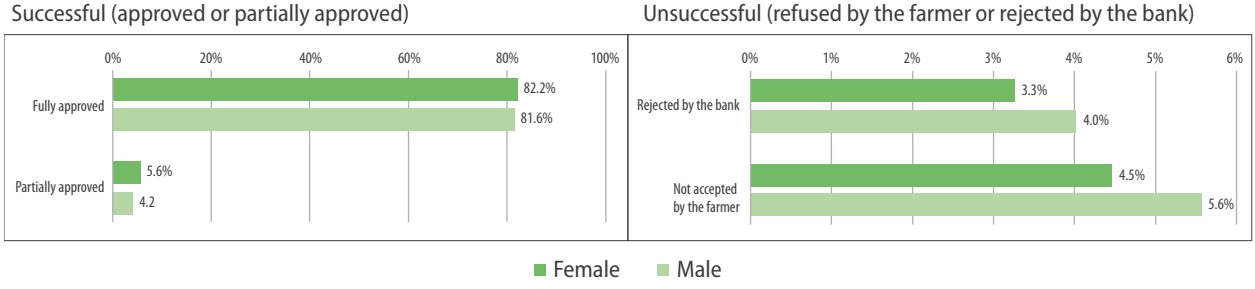


Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Success in securing bank finance through fully or partially approved loans does not show significant differences based on gender.

Despite the earlier observation that female farmers apply for external financing less, especially for investment loans, and are more likely to refrain from applying due to fear of rejection, this doesn't appear to put them at a disadvantage in the success of their loan application. Notably, the bank rejection rate is lower for female farmers (3%) than for men (4%). This may be because many women would not risk applying unprepared and unclear business plans. At the same time, male farmers seem more likely to decline loan offers if the terms and conditions are not satisfactory. This results in a slightly elevated success rate of 88% for female farmers compared to 86% for male farmers (Figure 5.25).

Figure 5.25: Result of the application, bank finance



Source: Own calculations based on question Q.16, see Annex I.

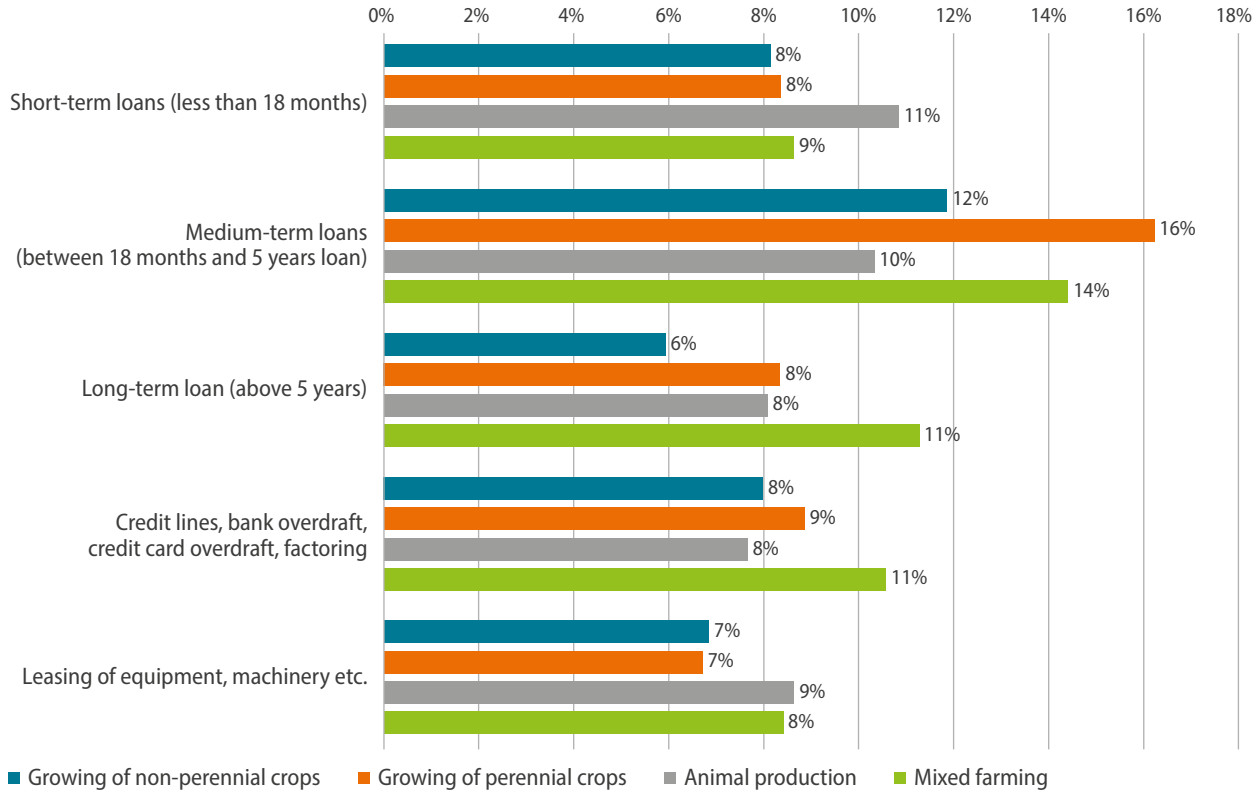
5.4 By macro-sectors

This section examines and compares activities, considering the macro categories of non-perennial crops, perennial crops, animal production and mixed farming.

Animal producers have a slightly higher application rate for short-term financing, while the other sectors have a greater preference for investment finance.

As shown in Figure 5.26, application rates for short-term financing were higher among animal producers (11%) compared to other sectors (8-9%). For medium-term loans, perennial crop farmers and mixed farms had higher application rates (14%-16%) compared to agricultural enterprises in other sectors, which ranged between 10% and 12%. For long-term financing, there is a considerable gap between mixed farming enterprises (11%) and those producing non-perennial crops (6%). Mixed farming also stands out in terms of credit line applications (11%). Equipment and machinery leasing is the most evenly distributed option among these sectors, with 7-9% of agricultural enterprises applying.

Figure 5.26: Financing applied for in the last year (since beginning of 2022)

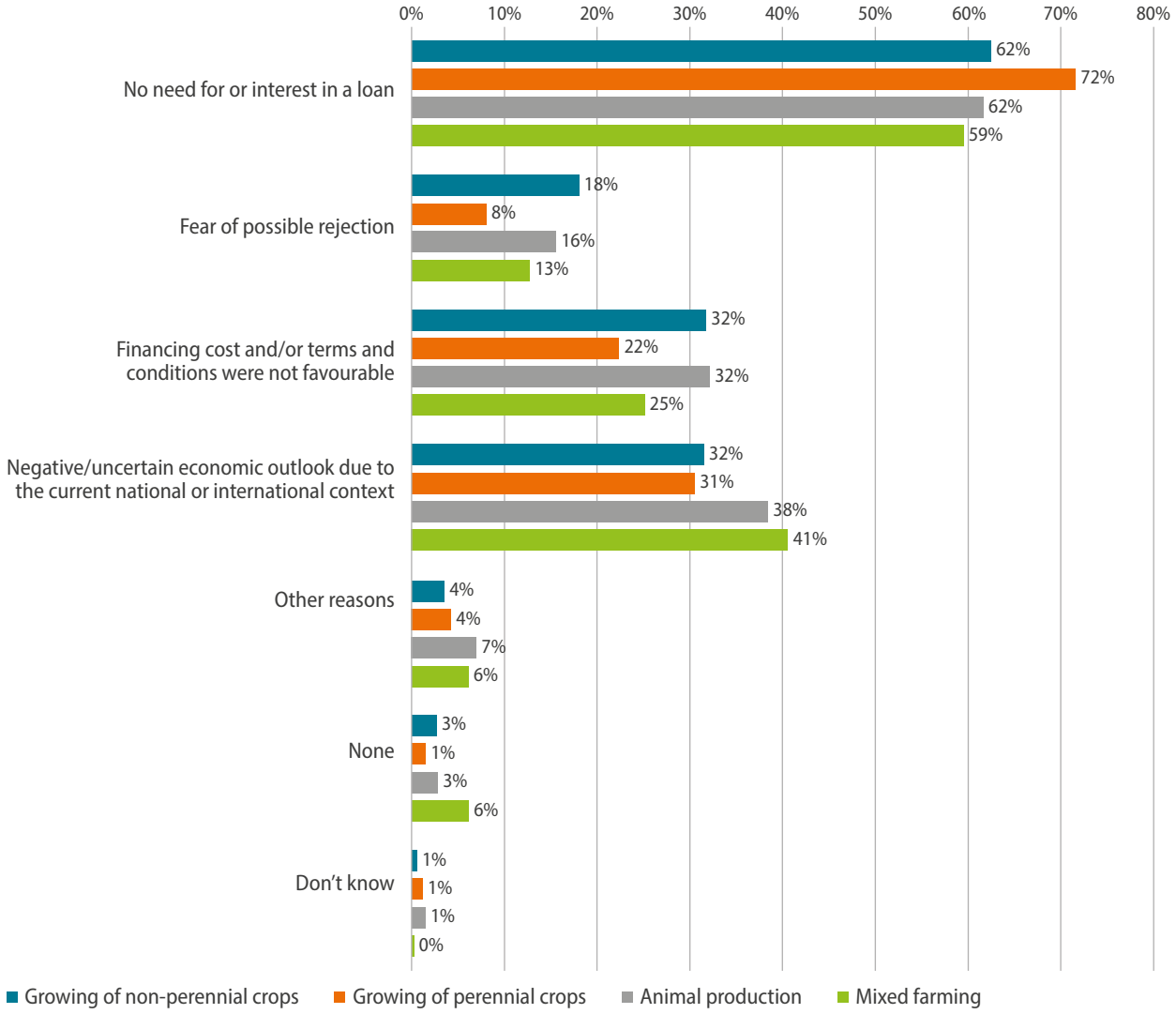


Source: Own calculations based on question Q.11 (multiple answers possible), see Annex I.

Compared to other sub-sectors, producers of perennial crops had considerably less need for loans and higher confidence in bank financing.

Among perennial crop enterprises, a significantly higher proportion (72%) indicated no need or interest in bank financing, compared to 59-62% in other sectors (Figure 5.27). Non-perennial crop producers had a lower proportion (8%) of discouragement to apply for financing due to fear of rejection, half the share of other sub-sectors. This resembles previous findings that cereal farmers tend to have easier access to bank finance, better possibilities for quickly selling their production or storing it for when prices rise, as well as good access to CAP payments and predictable results. Animal production and mixed farming enterprises consider a negative or uncertain economic outlook as more significant when deciding not to apply for bank financing, in comparison to crop producers.

Figure 5.27: Key reasons for not applying for bank finance

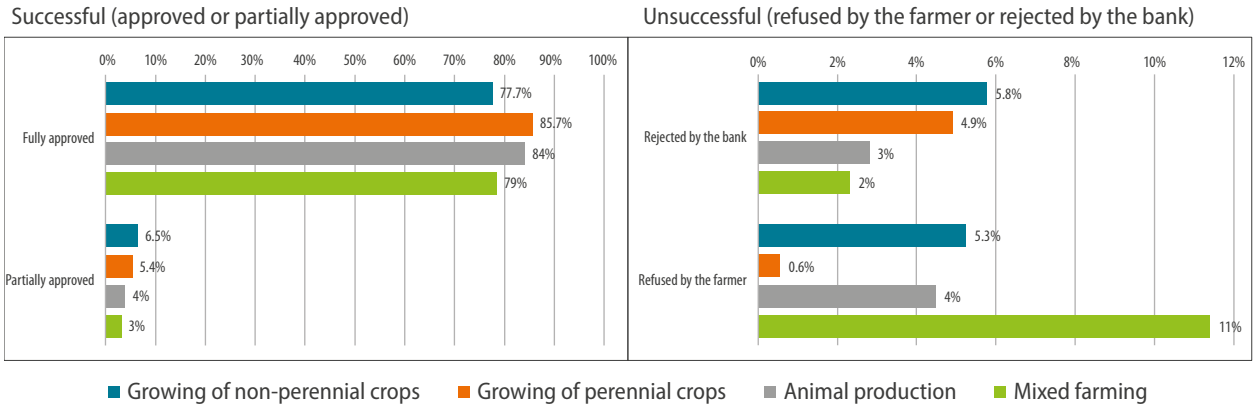


Source: Own calculations based on question Q.12 (multiple answers possible), see Annex I.

Producers of perennial crops have the highest success rate for bank loans, while mixed farming has the lowest due to high refusal rates by farmers.

Producers of perennial crops have the highest approval rate (91%), with animal producers following closely behind (88%). Non-perennial crop producers and mixed farming have lower approval rates, at 84% and 82% respectively (Figure 5.28). The higher approval rate for perennial crops is primarily due to an exceptionally low proportion of applications being refused by farmers (0.6%). In contrast, mixed farming has the least success in accessing finance, despite the lowest rejection rate by banks (2%), due to a much higher refusal rate by farmers (11%). Crop producers face a slightly higher loan rejection rate by banks compared to animal producers (including mixed farming).

Figure 5.28: Result of the application, bank finance

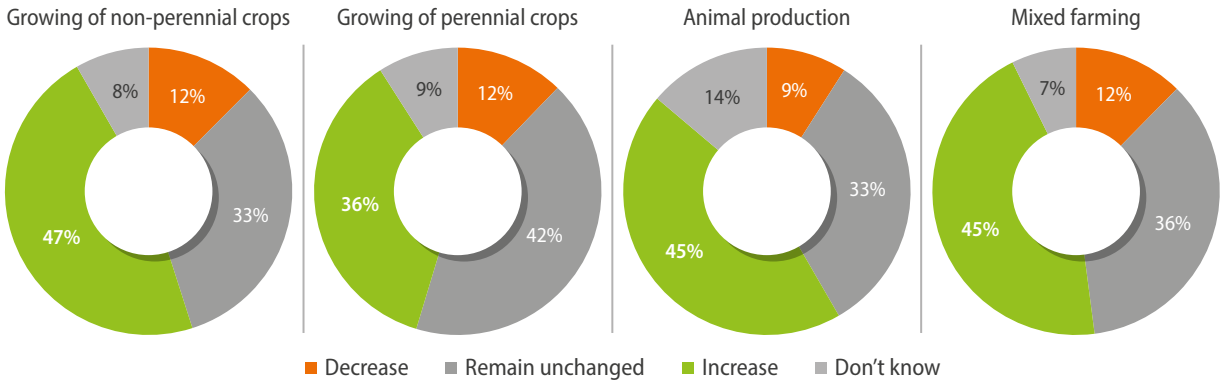


Source: Own calculations based on question Q.16, see Annex I.

With the exception of the perennial crop sub-sector, where expectations are restrained, approximately half the other farmers anticipate increased financing needs.

The majority of all farmers (78% to 81%) across the sub-sectors share an expectation of either increased or stable financing needs in the next 2-3 years (Figure 5.29). Perennial crop enterprises stand out with the lowest percentage (36%) foreseeing increased financing requirements, while an increase is expected by 45-47% of farmers in the other sectors. For animal production, slightly more uncertainty prevails, as 14% of farmers are unsure about how their financing needs will evolve over the next 2-3 years.

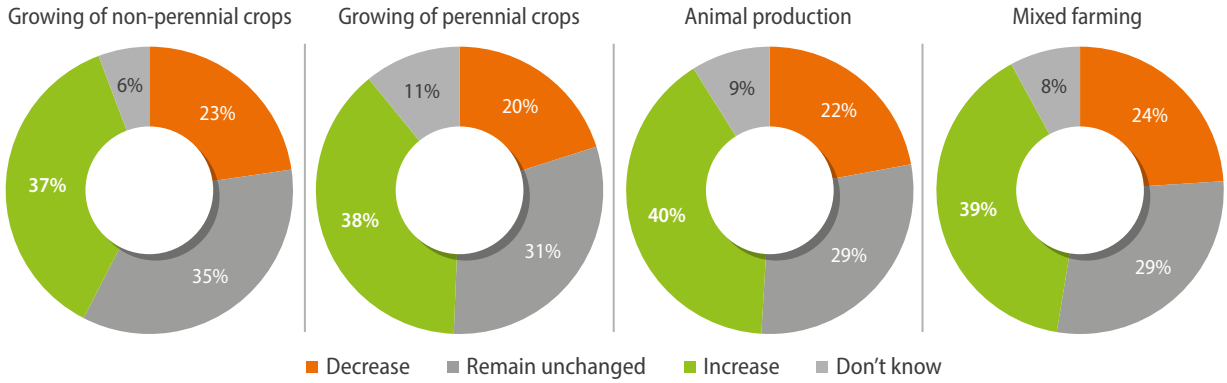
Figure 5.29: Expectations about farms' financial needs in the next 2-3 years



Source: Own calculations based on question Q.10, see Annex I.

There are no major variations among the macro-sectors regarding turnover expectations, except non-perennial crop producers have slightly more uncertainty (Figure 5.30).

Figure 5.30: Expectations about farms' turnover in the next 2-3 years

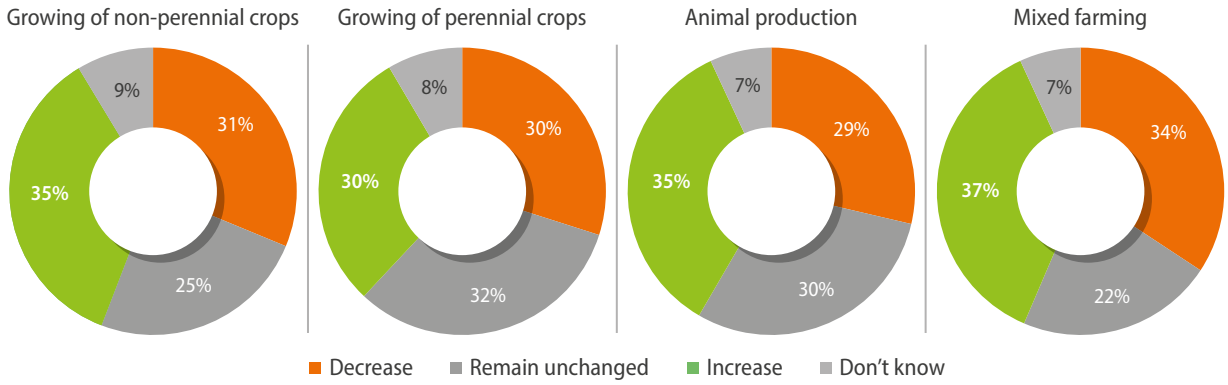


Source: Own calculations based on question Q.10, see Annex I.

More farmers expect a profit increase than a decrease across the sub-sectors, with the exception of perennial crop producers who are evenly split.

Concerning profit expectations, the perennial crop sector has slightly fewer foreseeing an increase (30%) compared to other sectors (35-37%), as shown in Figure 5.31. Mixed farming has the highest proportion of those anticipating an increase, but the highest share expecting a decrease (34%) compared to other sectors (29-31%). Additionally, a larger proportion of perennial crop and animal producers envision their profit to be unchanged in the next 2-3 years.

Figure 5.31: Expectations about farms' profit in the next 2-3 years

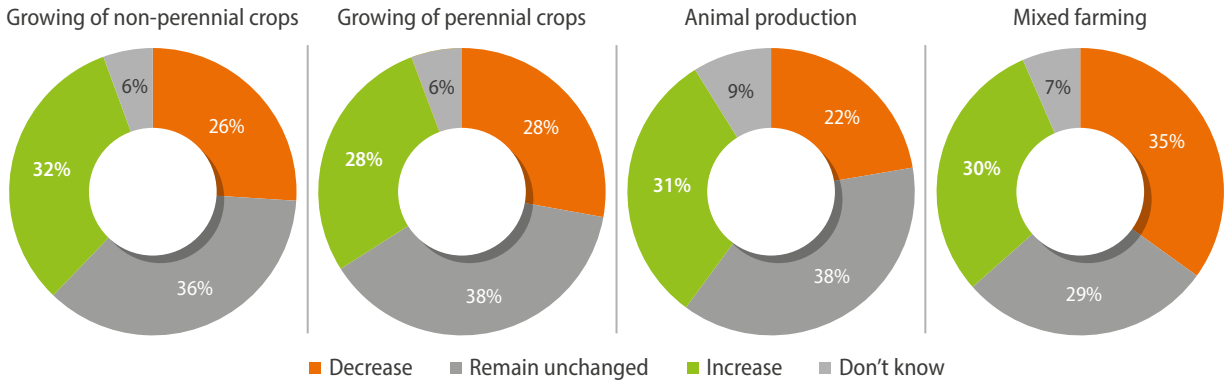


Source: Own calculations based on question Q.10, see Annex I.

Farmers engaged in mixed farming have a more cautious perspective for future investments.

In alignment with their profit expectations, a notable proportion of mixed farmers (35%) anticipate a decrease in future investments. The other sectors have a more optimistic stance, with between 22% and 28% expecting a decrease (Figure 5.32). Conversely, the non-perennial crops and animal producer sectors have a higher share of those envisioning increased investments at 32% and 31%, respectively.

Figure 5.32: Expectations about investments in the next 2-3 years

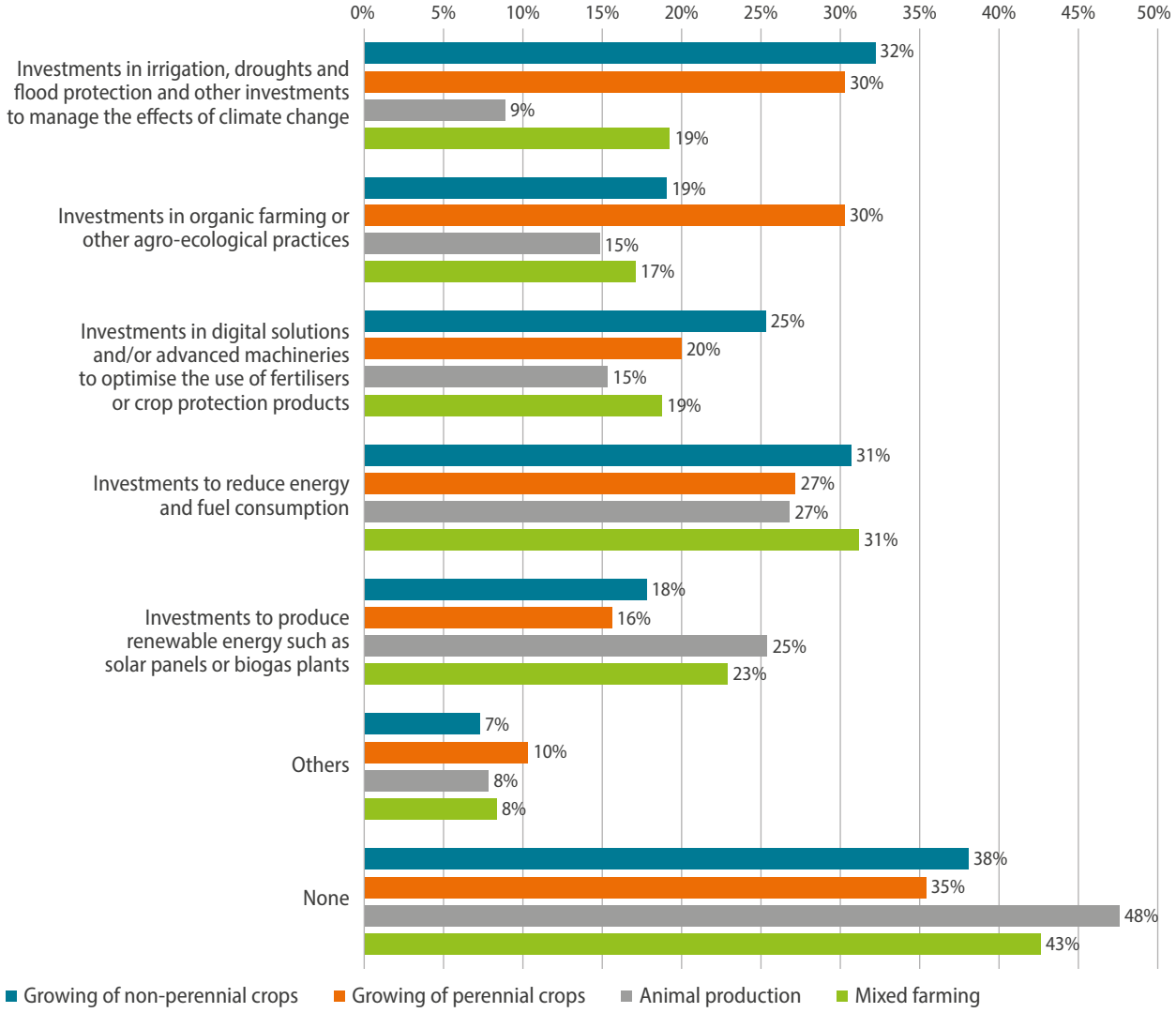


Source: Own calculations based on question Q.10, see Annex I.

Over the last three years, crop producers have surpassed animal producers for investments in environmental sustainability and climate resilience.

Roughly 50% of animal producers refrained from climate-related investments during this period, with mixed farming following at 43% (Figure 5.33). Comparatively, the non-perennial and perennial crops sub-sectors reported lower proportions (38% and 35% respectively). Interestingly, the only area where animal producers demonstrated greater engagement is investments in renewable energy production, at 25% compared to 16%-23% in the other sectors.

Figure 5.33: Investments to increase environmental sustainability and improve climate resilience of the farm in the last 3 years

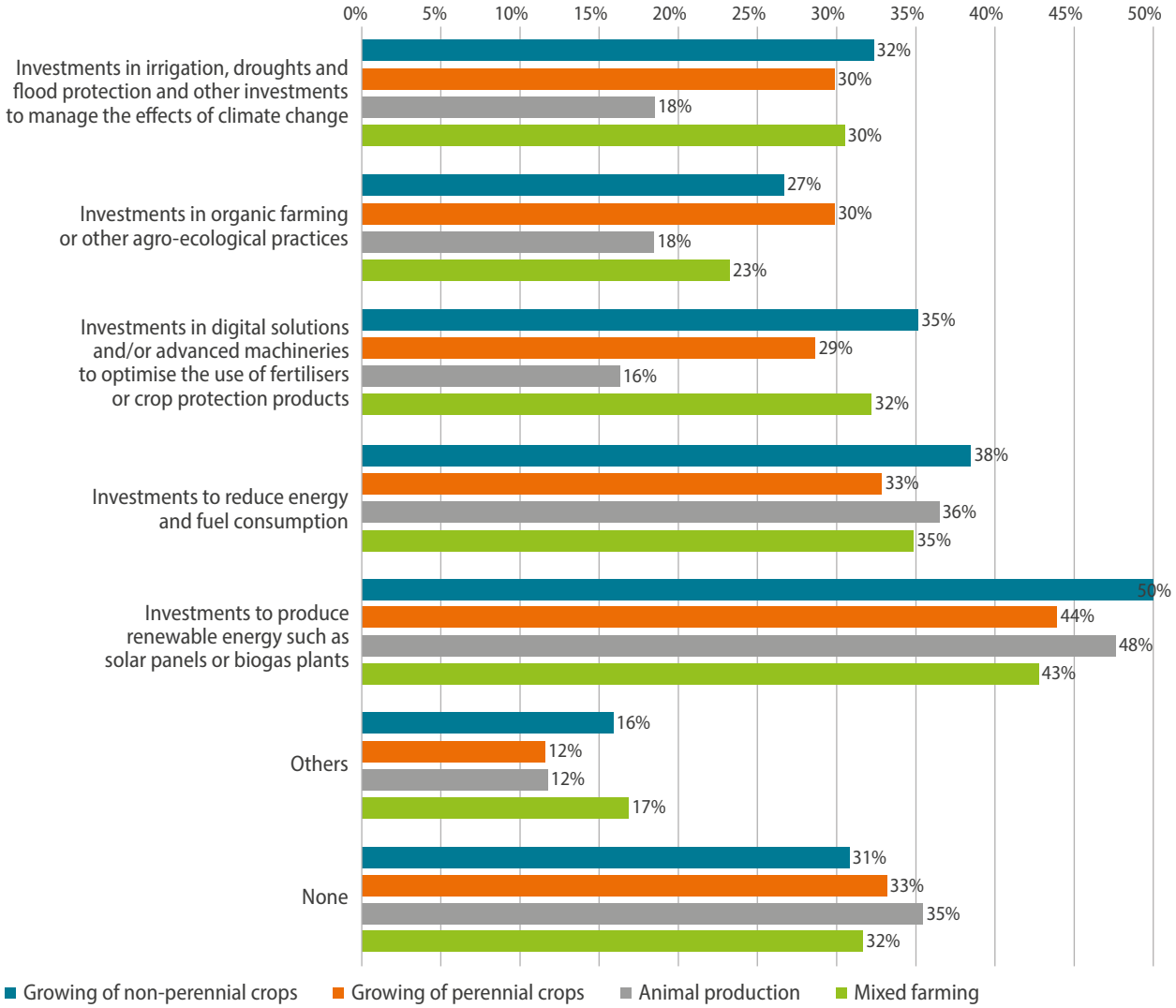


Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

There is convergence among sub-sectors in their intentions to engage in sustainability and climate-related investments.

Noteworthy changes from past patterns for investment categories include an increase in investments in organic farming within the non-perennial crops sector (27% compared to 19%), a rise in investments in digital solutions for the non-perennial crops sector (35% versus 25%), the perennial crops sector (29% versus 20%), and mixed farming (32% versus 19%). Moreover, there is a remarkable rise in investments in renewable energy production, particularly crop production, ranging from 44% to 50%, in contrast to the earlier figures of 16% to 18%. The survey also reveals the growing intention of animal producers to carry out climate-related investments (Figure 5.34).

Figure 5.34: Expectations about investment to increase environmental sustainability and improve the climate resilience of farms in the next 3 years



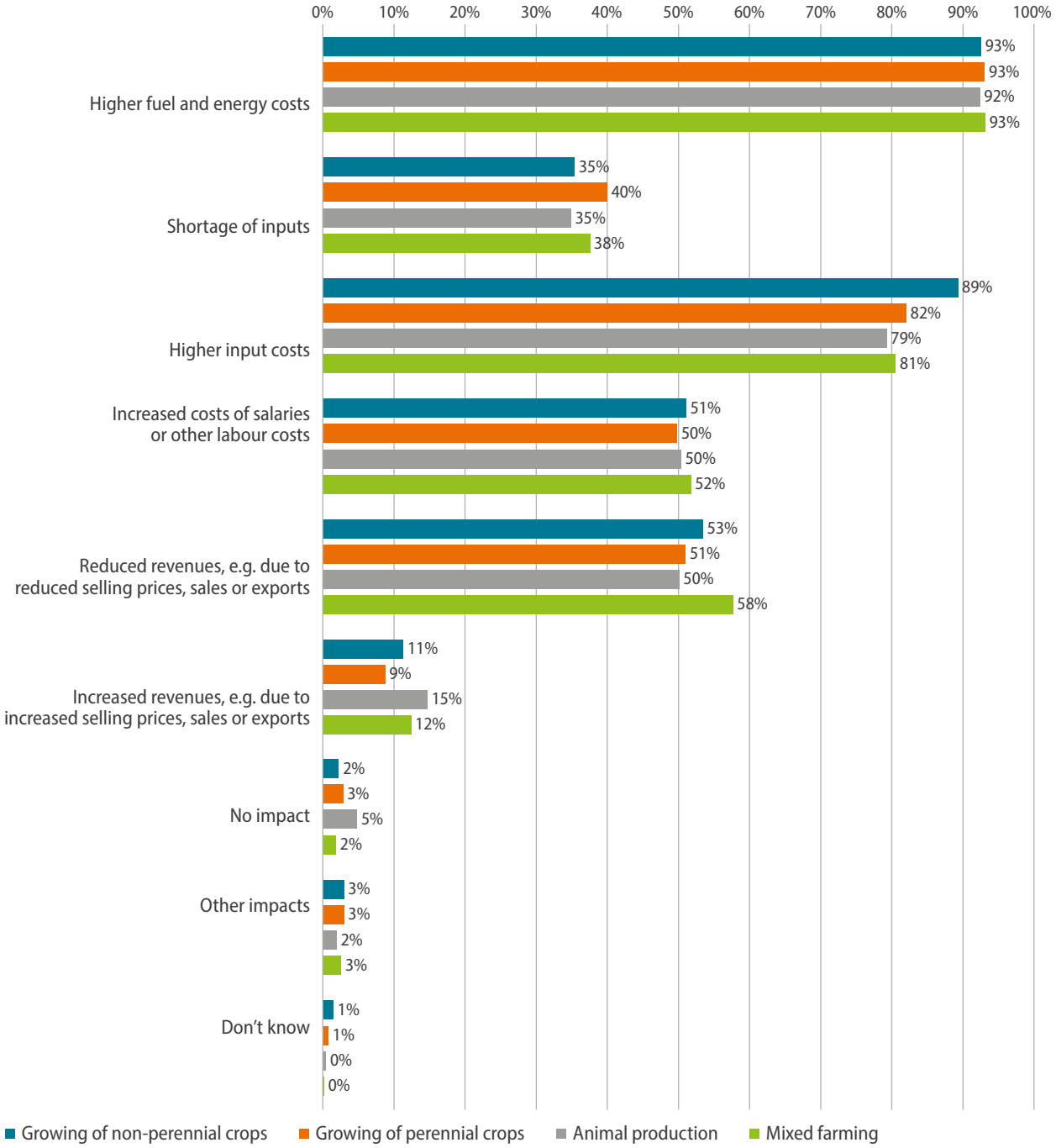
Source: Own calculations based on question Q.20a (multiple answers possible), see Annex I.

There are no significant differences in major barriers to green investments in the different macro-sectors.

Adverse effects of the Russian invasion of Ukraine have resonated more significantly among crop producers compared to animal producers.

A shortage of inputs, particularly impacting perennial crop producers (40% versus 35%-38% across other sectors), coupled with higher input costs had a more pronounced impact in the non-perennial crops sector (89% versus 79%-82%) (Figure 5.35). Reduced revenues have notably affected mixed farming (58% vs. 50%-53% in other sectors). Conversely, increased revenues were experienced by the highest proportion in the animal production sector (15% versus 9%-12% in other sectors).

Figure 5.35: Impact on business from the Russian invasion of Ukraine, including the energy crisis



Source: Own calculations based on question Q.9 (multiple answers possible), see Annex I.

06 Conclusions

The new fi-compass survey on the financing needs and access to credit conditions for EU farms in 2022 shows an improved financial environment for agricultural enterprises compared to the previous survey covering 2017. There are, however, clear differences between Member States, farm sizes, age groups, as well as across macro sub-sectors.

During the time between the two surveys (2018-2023), the economic and financial context has been affected by major events, including the COVID-19 pandemic in 2020 and 2021 and the continuing Russian invasion of Ukraine. Consequences of the latter event, especially the energy crisis, the resultant inflation and disrupted input supplies have had significant impacts on farmers, as clearly shown by the survey. Many agricultural enterprises have faced substantial hurdles including considerable increases in production costs, reduced revenues and difficulties to increase selling prices. These all put pressure on profit margins for agricultural enterprises.

Interestingly, these challenges seem to have prompted agricultural enterprises to focus on investments that increase their production capacity and optimise operational efficiency. This has led farmers to seek financing to support their business activity and investment plans.

From 2017 to 2022 agricultural enterprises increasingly relied on external financing, despite the negative or uncertain economic outlook and cautious expectations of future growth. Applications for bank finance have increased considerably in the last five years, especially for medium-term loans to enhance productivity and efficiency. This has narrowed the gap for bank finance between agricultural enterprises and SMEs in other sectors. Although not part of the survey, State aid schemes approved under the Temporary Framework have enabled Member States to support agricultural sub-sectors in difficulty.

The growing number of farms approaching banks for financing have found a much more open attitude in the banking sector compared to 2017. Although the survey cannot offer a conclusive explanation for this change there has been a significant reduction in rejection rates. This could reflect a dual dynamism, in which (i) farmers have become more realistic in assessing their chances of getting a loan and thus approaching banks when they are almost certain the application will be approved, and (ii) financial institutions have reduced their risk aversion. This trend, especially for medium-term loans, indicates a growing alignment between farmers' expectations and financial institutions' lending practices. There is now a more favourable, though still insufficient, environment for agricultural enterprises to access finance for their growth and sustainability, though access to long-term lending remains more difficult. Most of the unsuccessful applications for bank loans were linked to land purchases and climate-related investments. Many climate-related investments, including changes in current farm practices, may need long periods to ensure the investment is repaid. This could continue to be an important market failure needing to be addressed by public policy in Member States, including appropriate financial instruments.

Farms' reliance on bank finance has grown even though interest rates started to increase in 2022. Rising interest rates have had an impact on access to credit, with the share of loan offers refused by farmers due to unfavourable costs and conditions increasing compared to 2017. However, the change has been limited and has not hindered the positive developments highlighted above. This highlights the crucial role of bank loans in supporting farmers' financial needs and their importance in fostering growth and resilience for agricultural enterprises.

Despite the many reasons for optimism these developments offer, significant problems remain, indicating market failures that require policy action. Banks are withdrawing from rural and agricultural area offices and moving to online services. They are often not specialised in agricultural lending. This is burdensome, especially for new agricultural business models which need financing to transition to sustainable agriculture with climate and environmentally-friendly activities.

The share of farms willing but not able to obtain bank finance has not reduced compared to 2017. This might sound a paradox, but is simply the result of a dramatic increase in the share of farms willing to access bank credit, which increases the unmet demand for finance despite fewer loan applications being rejected by banks[35]. This includes a significant share of farms, larger compared to the 2018 survey, that need financial resources but refrain from applying due to a fear their application would be rejected. This might be due to various factors and market uncertainty, but is an indication of a market failure.

Another obvious area for policy action is the geographical variability of access to credit. Despite a more favourable financial environment, there are still important geographical differences and access to bank finance may still be difficult depending on location. The national strategy of Member States' CAP Plans and specific financial instruments can play a key role in fostering cohesion and ensuring similar, potentially favourable, access to finance for all farms in the EU-24.

The survey results show a continued strong correlation between farm size and access to bank credit. Despite the improved environment, small farms still face much higher rejection rates compared to larger holdings and show less self confidence in approaching banks. As small farms have a more positive outlook for turnover and profit compared to medium and large enterprises addressing these financing challenges can help ensure the growth and resilience of small farms and rural areas in general.

The growing propensity of EU-24 farms to use bank loans to finance their investment plans creates more opportunity for financial instruments to efficiently provide public incentives in key investment areas, including potential combinations with grants. Financial instruments can also address working capital needs, but such support should be in line with a transition to more resilient and sustainable agriculture.

One such area could be climate resilience and environmental sustainability. The survey shows that climate change already has a widespread impact across the EU-24, with farmers in some Member States more exposed than others. Although farms have been investing in this area in recent years, there still seems to be a gap between farms that are aware and have suffered from climate-related events, and those who have taken action in this direction. Farms expectations for the next few years show increasing interest and high investment potential, in particular for renewable energy and energy efficiency, which is probably also due to the recent energy crisis. Other 'green' areas such as technological solutions to reduce chemical inputs and pesticides, (new) agro-ecological practices as well as irrigation and adaptation investments seem to have increasing potential. These could be supported through financial instruments and build on closer cooperation between the public sector and banks.

Young farmers are key actors in this perspective with more demand for medium- and long-term loans, coupled with increased confidence in applying for bank financing. They have a more positive outlook for turnover and profit growth, flexibility in adapting to economic hurdles and greater success in securing bank finance. It seems evident that empowering the next generation of farmers is key to ensuring the sector's long run growth, competitiveness and resilience.

Some good news from this survey is that the gender of farm managers doesn't seem to influence loan approvals. Despite that, female farm managers seem to rely less on bank finance and have less self confidence in approaching banks, as shown by the higher rate of potential applications not submitted due to fear of rejection.

Finally, the survey results enable considerations about the macro sectors, although data is insufficient for a detailed analysis per sub-sector. More research and data in this area would be beneficial. Rather surprisingly, non-perennial crop producers (e.g. cereals, vegetables, etc.) seem to have less access to finance, followed by mixed farms. Self confidence among non-perennial crop producers is also low, as shown by the high rate of potential applications not submitted due to fear of rejection. All macro sub-sectors show growing interest in climate-related investments, with non-perennial crops enterprises being most keen. The animal production sector also seems to have very high potential, especially for investments related to energy efficiency and renewable energy production.

35 fi-compass (2023). Financing gap in the EU agricultural and agri-food sectors

07 References

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08 Annex I – Structure of the interview and the survey

Introduction and screener

Hello, my name is <interviewer> and I am calling from <survey company> on behalf of the European Investment Bank and the European Commission. Your business has been selected to participate in a Europe-wide survey on the financing needs and the availability of financing among farms and agricultural companies like yours.

European policymakers want to have a better understanding of the issues and circumstances faced by enterprises in the agricultural sector when it comes to accessing finance from banks and other institutions. This survey is now being conducted across Europe and your input is of the utmost importance: the responses to the survey will help shape policy decisions by the European Investment Bank and the European Commission.

[READ IF NECESSARY (IF RESPONDENTS ASK FOR MORE INFORMATION ABOUT THE PROJECT): The results of the survey will help the European Institutions in their evidence-based policymaking to improve the access to finance for farmers and in the credit policy of the European Investment Bank. Can I email you some more information about the survey?]

May I speak with the most appropriate person – the person best able to provide information on how your farm is financed?

[READ IF NECESSARY: This person could be the farmer, owner or co-owner of the farm, a farm manager, or in some cases a financial director.]

INTERVIEWER: PASS GATEKEEPER AND REACH ELIGIBLE RESPONDENT. IF NEEDED, READ INTRODUCTION AGAIN. AGREE APPOINTMENT IF NEEDED.

The interview may be recorded for quality control purposes.

The interview will take around 15 to 20 minutes. Your answers to this voluntary survey will be treated in strict confidence. The survey is used for statistical or policy research purposes and published in aggregate form only. Do you agree to take part in the interview?

Yes	1
No	2

[If answer 'no' is selected, then stop interview]

SECTION I – FARM INFORMATION

Q1a What is the **main** activity of the farm (enterprise)?

[Single answer – read out]

Growing of non-perennial crops	1
Growing of perennial crops	2
Plant propagation	3
Animal production	4
Mixed farming	5
Support activities for crop production	6
Other, specify: _____ [SPONT.]	7
Don't know [SPONT.]	8

[If answer 'Other' (code 7) or 'Don't know' (code 8) in question Q1a, then stop interview.]

[If answer 'Growing of non-perennial crops' (code 1) in question Q1a, then ask Q1b]

Q1b More specifically, is your farm's main activity …?

[Single answer – read out]

Growing of cereals (except rice), leguminous crops and oil seeds	1
Growing of rice	2
Growing of vegetables and melons, roots and tubers	3
Growing of sugar cane	4
Growing of tobacco	5
Growing of fibre crops	6
Growing of other non-perennial crops	7
Other, specify: _____ [SPONT.]	8
Don't know [SPONT.]	9

[If answer 'Other' (code 8) or 'Don't know' (code 9) in question Q1b, then stop interview.]

[If answer 'Growing of perennial crops' (code 2) in question Q1a, then ask Q1c]

Q1c More specifically, is your farm's main activity …?

[Single answer – read out]

Growing of grapes	1
Growing of tropical and subtropical fruits	2
Growing of citrus fruits	3
Growing of pome fruits and stone fruits	4
Growing of other tree and bush fruits and nuts	5
Growing of oleaginous fruits	6
Growing of beverage crops	7
Growing of spices, aromatic, drug and pharmaceutical crops	8
Growing of other perennial crops	9
Other, specify: _____ [SPONT.]	10
Don't know [SPONT.]	11

[If answer 'Other' (code 10) or 'Don't know' (code 11) in question Q1c, then stop interview.]

[If answer 'Animal production' (code 4) in question Q1a, then ask Q1d]

Q1d More specifically, is your farm's main activity …?

[Single answer – read out]

Raising of dairy cattle	1
Raising of other cattle and buffaloes	2
Raising of horses and other equines	3
Raising of camels and camelids	4
Raising of sheep and goats	5
Raising of swine/pigs	6
Raising of poultry	7
Raising of other animals (Only: Holdings raising and breeding ostriches or emus; Holdings raising and breeding rabbits; Holdings with bee-keeping, production of honey and beeswax)	8
Other, specify: _____ [SPONT.]	9
Don't know [SPONT.]	10

[If answer 'Other' (code 9) or 'Don't know' (code 10) in question Q1d, then stop interview.]

[If answer 'Mixed farming' (code 5) in question Q1a, then ask Q1e]

Q1e Which of the following are included in the farm's activity?

[Multiple answers possible – read out]

Growing of non-perennial crops	1
Growing of perennial crops	2
Animal production	3
Other [SPONT.]	4
Don't know [SPONT.]	5

[If answer 'Other' (code 4) or 'Don't know' (code 5) in question Q1e, then stop interview.]

Q.2 In which region is the farm located?

[Drop down list – read out if needed]

[Country specific list]	
Don't know [SPONT.]	99

[If answer 'Don't know' (code 99) in Q.2, then stop interview]

Q.3a How large is your farm in hectares?

[Numerical, open ended]

Size in hectares	_____ (hectare)
Don't know [SPONT.]	99
Refusal [SPONT.]	98

[If answer 'Don't know' (code 99) or 'Refusal' (code 98) in Q.3a, then ask Q.3b]

Q.3b How large is your farm in hectares? Please indicate the appropriate range.

[Numerical, open ended]

Less than 5 hectares	1
Between 5 hectares and less than 10 hectares	2
Between 10 hectares and less than 20 hectares	3
Between 20 hectares and less than 30 hectares	4
Between 30 hectares and less than 50 hectares	5
Between 50 hectares and less than 100 hectares	6
100 hectares or more	7

Don't know [SPONT.]	99
Refusal [SPONT.]	98

[If answer 'Don't know' (code 99) or 'Refusal' (code 98) in Q.3b, then stop interview]

Q.4a What is your role in the farm?

[Single answer – read out]

Owner	1
Co-owner	2
Family member or successor participating in the farm management	3
CEO or managing director	4
CFO or finance director	5
Other management staff	6
Other employee	7
Don't know [SPONT.]	8

[If answer 'Other employee' (code 7) or 'Don't know' (code 8) in Q.4a then ask question Q.4b]

Q.4b Are you the best person to provide information on how the farm is financed?

[Single answer]

Yes	1
No	2
Don't know [SPONT.]	3

[If answer 'No' (code 2) or 'Don't know' (code 3) in Q.4b then ask for eligible respondent]

Q.5a How old is the farm manager? If you are the farm manager, or the farmer, please tell me your age.

[Numerical, open ended]

Farm manager's age:	_____
Refusal [SPONT.]	98
Don't know [SPONT.]	99

[If age impossible to specify or answer 'don't know' (code 99) or 'refusal' (code 98) in Q.5 then ask Q.5b]

Q.5b How old is the farm manager? Please indicate the appropriate range.

[Single answer – read out]

18-30	1
31-40	2
41-60	3
60+	4
Refusal [SPONT.]	5
Don't know [SPONT.]	6

[Ask Q.6 if respondent is not the farm manager. If interviewer is speaking to the farm manager, then record the gender in Q.6 without asking the question.]

Q.6 What is the gender of the farm manager?

[Single answer]

Female	1
Male	2
Other/non-binary [SPONT.]	3
Refusal [SPONT.]	4
Don't know [SPONT.]	5

Q.7a In what year was this farm established?

[Numerical, open ended]

Year	_____
Don't know [SPONT.]	99

[If answer 'Don't know' (code 99) in question Q.7a, then ask question Q.7b]

Q.7b In what year was this farm established? Was it …?

[Single answer – read out]

Less than 2 years ago	1
Between 2 and 5 years ago	2
More than 5 years ago	3
Don't know [SPONT.]	4

SECTION II – ECONOMIC SITUATION

Q.8 Have the following company indicators changed in the last year (2022 compared with 2021):

[Single answer per line – read items – rotate items]

	Significantly decreased	Slightly decreased	Stayed more or less unchanged	Slightly increased	Significantly increased	Don't know [SPONT.]
Turnover	1	2	3	4	5	6
Selling prices of your production	1	2	3	4	5	6
Production costs	1	2	3	4	5	6

Q8a To which year were you referring to?

[Single answer]

2022 compared with 2021	1
2021 compared with 2020	2

Q.9 Are you experiencing an impact on your business from the Russian invasion of Ukraine, including the current energy crisis, in any of the following aspects?

[Multiple answers possible – read out – codes 7,9 exclusive – rotate answers 1-6]

Higher fuel and energy costs	1
Shortage of inputs (e.g., fertilizers)	2
Higher input costs (e.g., fertilizers)	3
Increased costs of salaries or other labour costs	4
Reduced revenues, e.g., due to reduced selling prices, sales or exports	5
Increased revenues, e.g., due to increased selling prices, sales or exports	6
No impact [SPONT.]	7
Other impacts [please, specify ___] [SPONT.]	8
Don't know [SPONT.]	9

Q.10 Thinking about your business, what are your expectations for the next 3 years in terms of…?

[Single answer per line – rotate items]

	Significantly decrease	Slightly decrease	Stay more or less unchanged	Slightly increase	Significantly increase	Don't know [SPONT.]
Turnover	1	2	3	4	5	6
Profit	1	2	3	4	5	6
Investments	1	2	3	4	5	6
Financing needs	1	2	3	4	5	6

SECTION III - ACCESS TO FINANCE

Q.11 What kind of financing have you applied for in the last year (2022)?

[Single answer per line]

	Yes	No	Don't know [SPONT.]	If 'yes': What was the amount you applied for? (local currency)
a) Short-term loans (less than 18 months)	1	2	3	_____
b) Investment or medium-term loans (between 18 months and 5 years)	1	2	3	_____
c) Long-term loan (above 5 years)	1	2	3	_____
d) Credit lines, bank overdraft, credit card overdraft, factoring	1	2	3	_____
e) Leasing of agricultural machinery or facilities	1	2	3	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]
f) Private resources (e.g. from friends/relatives, etc.)	1	2	3	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]

Q.12 For each 'No' to Q11 (a-d), ask:

For what reasons you did not apply for…[Q11 a-d if 'No']?

[Multiple answers possible - read out - rotate answers 1-4]

No need for or interest in a loan	1
Fear of possible rejection	2
Financing cost and/or terms and conditions were not favourable	3
Negative/uncertain economic outlook due to the national or international context	4
Other reasons: _____ [please, specify] [SPONT.]	5
None [SPONT.]	6
Don't know [SPONT.]	7

Q.13 If any 'Yes' to Q12: 2, 3 or 4

If you had applied for a loan, what would have been the main purpose of the loan?

[Multiple answers possible – read out – rotate items]

Category	Selection	If 'selected': What was the amount you would have applied for? (local currency)
Working capital	1	_____
Purchase of land	2	_____
Investments to expand production capacity or to increase economic efficiency	3	_____
Investments in farm shops, restaurants, online shops or agri-tourism	4	_____
Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change	5	_____
Investments in organic farming or other agro-ecological practices	6	_____
Investments in digital solutions and/or advanced machineries to optimise the use of fertilisers or crop protection products	7	_____
Investments to reduce energy and fuel consumption	8	_____
Investments to produce renewable energy such as solar panels or biogas plants	9	_____
Other [please, specify] [SPONTANEOUS]	10	_____

Q.14 For each 'Yes' at Q11 (a-d), ask:

You mentioned that you applied for the following loan: [answer from Q10 (a-d)]. Thinking about your most recent application for such a loan, was the application linked to any form of financial support or grant from the Common Agricultural Policy or the European Fund for Rural Development?

[Single answer]

Yes	1
No	2
Don't know [SPONTANEOUS]	3

Q.15 For any 'Yes' at Q11 (a-d), ask:

Considering your loan applications in the last year, what was the main purpose of these loans?

[Multiple answers possible – read out – rotate items]

Category	Selection	If selected: What percentage share of the loan did you plan to allocate for this purpose? (Answer in %)
Working capital	1	_____
Purchase of land	2	_____
Investments to expand production capacity or to increase economic efficiency	3	_____
Investments in farm shops, restaurants, online shops or agri-tourism	4	_____
Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change	5	_____
Investments in organic farming or other agro-ecological practices	6	_____
Investments in digital solutions and/or advanced machineries to optimise the use of fertilisers or crop protection products	7	_____
Investments to reduce energy and fuel consumption	8	_____
Investments to produce renewable energy such as solar panels or biogas plants	9	_____
Other [please, specify] [SPONTANEOUS]	10	_____

Q.16 For each 'Yes' to Q11 (a-d), ask:

Now thinking about your last application for……[Q11 a-d if 'Yes'], what was the outcome of your application?

[Single answer per line – read out]

	Fully approved	Partially approved	Rejected by the bank	Not accepted by you because of unfavourable credit conditions offered by the bank	Still pending	What was the duration of the loan?	What was the interest rate on the loan?
a) Short-term loans (less than 18 months)	1	2	3	4	5	_____ (answer in months) 99 Don't know [SPONT.] 98 Refusal [SPONT.]	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]
b) Investment (medium-term) loans (from 18 months to 5 years)	1	2	3	4	5	_____ (answer in years) 99 Don't know [SPONT.] 98 Refusal [SPONT.]	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]
c) Long-term loan (above 5 years)	1	2	3	4	5	_____ (answer in years) 99 Don't know [SPONT.] 98 Refusal [SPONT.]	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]
d) Credit lines, bank overdraft, credit card overdraft, factoring	1	2	3	4	5	[Not asked]	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]

Q.17 For each 'Yes' at Q11 (a-d) and 'Rejected by the bank' at Q16, ask:

When your loan application for … [Q11 [a-d] were Q10 'Yes' and Q16 'Rejected by the bank] was rejected by the bank, what reasons did the bank give?

[Multiple answers – read out – rotate answers 1-10]

Lack of credit history	1
Insufficient collateral (for example land or buildings)	2
Investment risks too high (competitive pressure, market volatility)	3
Banking policy (e.g., limits on lending to farmers)	4
Economically unviable (enterprise or project)	5
Lack of accounting records	6
New farm business (considered too risky)	7
Existence of other loans (i.e., risk of over-indebtedness)	8
Previous non-performing loans	9
Other [please, specify] [SPONTANEOUS]	10
Don't know [SPONTANEOUS]	11

SECTION IV – Green Deal – INVESTMENT NEEDS FOR CLIMATE AND ENVIRONMENT

Q.18 In the last 3-5 years, have you noticed any impact from climate change and related changes in weather pattern on your business activity?

[Single answer]

Yes	1
No	2
Don't know [SPONTANEOUS]	3

[If answer 1 ('Yes') in Q.18, then ask Q.19]

Q.19 Which of the following events, if any, have impacted your activity?

[Multiple answers possible – read out – rotate answers 1-5]

Droughts	1
Extreme weather events like sudden sharp changes in temperature, frost or humidity, hails, floods	2
Pest infestations or animal diseases	3
Fires	4
Other [please, specify] [SPONTANEOUS]	5
None [SPONTANEOUS]	6
Don't know [SPONTANEOUS]	7

Q.20a In the last 3 years, have you made any investments to increase overall environmental sustainability and improve the climate resilience of your farm in any of the following areas? If yes, please indicate the total amount you have invested.

[Single answer per line – rotate items]

	Yes	No	Don't know [SPONT.]	Not applicable [SPONT.]	Invested amount in local currency
Investments in irrigation, droughts and flood protection and other investments to manage the effects of climate change	1	2	3	4	_____
Investments in organic farming or other agro-ecological practices	1	2	3	4	_____

Investments in digital solutions and/or advanced machineries to optimise the use of fertilisers or crop protection products					
Investments to reduce energy and fuel consumption	1	2	3	4	_____
Investments to produce renewable energy such as solar panels or biogas plants	1	2	3	4	_____
Others [please, specify] [SPONTANEOUS]	1	2	3	4	_____

[Follow up each line in Q.20a with the question Q.20b]

Q.20b And thinking about the next three years, are you planning any investments in this area? If yes, please indicate the total amount you plan to invest.

[Single answer]

Yes	1
No	2
Don't know [SPONT.]	3
Planned investment in local currency	_____ 99 Don't know [SPONT.] 98 Refusal [SPONT.]

Q.22 In your view, what are the most significant barriers for your business in terms of investment in climate and environmental sustainability?

[Multiple answers possible – read out - rotate answers 1-5]

Knowledge or capacity on the farm	1
Lack of reliable technical solutions or information about them	2
Too high a cost (without sufficient return)	3
High upfront cost (potential economic return but too long a payback period)	4
Lack of external finance	5
Other [SPONT.]	6
None [SPONT.]	7
Don't know [SPONT.]	8

SECTION V – FINANCIAL IMPLICATIONS OF SUPPLY CHAIN RELATIONS

READ: Now I would like to ask a few questions about the relation with your suppliers. These are the last questions of the interview.

Q.23 How do you sell all or most of your production?

[Multiple answers possible – read out – rotate answers 1-8]

You process and/or sell the production directly on the farm (e.g., at a small processing facility, farm restaurant, farm shop)	1
You sell to small local groceries shops, supermarkets, restaurants	2
You sell to local small to medium-sized food processors	3
You sell to a large food processor	4
You sell to a cooperative with which you are associated	5
You sell directly to consumers at one or more local markets	6
You sell directly to consumers online	7
You sell to intermediaries or wholesalers	8
Not applicable [SPONT.]	9

Q.24 What type of contractual relations do you have with the buyer or buyers of your production? If you have more than one buyer, please consider those who buy the majority of your production

[Single answer – read out – rotate answers 1-4]

You do not have any contract	1
You have a verbal or informal agreement	2
You have short-term contracts running for a few months or for one or two years at most	3
You have medium to long-term contract	4
Not applicable [SPONT.]	5

[If answer 3 (short term contract) or 4 (long term contract) in Q.24, then ask Q.25]

Q.25 What are the predominant payment terms under the contract for you? If you have more than one contract in place with buyers, please consider the payment terms related to the majority your production.

[Single answer – read out]

Up to 7 days	1
Between 8 and 30 days	2
Between 31 - 60 days	3
Between 61 - 120 days	4
More than 120 days	5
Not applicable [SPONT.]	6

END MESSAGES

[Interview completed:] Thank you for taking part in the survey. We have reached the end of the interview. I wish you a pleasant day.

[Screen out/quota full:] Thank you for taking part in the survey. These were all the questions I had for you today. We have reached the end of the interview. I wish you a pleasant day.

09 Annex II – Methodology

The report is based on a survey that was conducted between February and May 2023 across 24 EU Member States (EU-24): Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

The survey covered businesses whose main activity is agriculture (NACE A.01). These businesses generally comprise agricultural holdings. This target includes businesses run by a self-employed farmer (without additional employees) and excludes business whose main activities are hunting, trapping and related service activities (NACE A.01.70), forestry and logging (NACE A.02) and fishing and aquaculture (NACE A.03).

To ensure representativeness of the entire farm population, the survey aimed to achieve 6550 interviews across all countries in the EU-24, with a target of at least 300 interviews in most of the countries. The survey was conducted via telephone (CATI). The target respondent was the owner, farm manager, or other financially knowledgeable employee of the business. The following table summarises the coverage, target number of interviews and achieved number of interviews.

Table 1: Sample coverage and achieved interviews.

	Population	Sample frame(s)	Coverage of frame(s)	Target number of interviews	Achieved interviews
Austria	132,500	6,230	5%	200	200
Belgium	36,890	28,014	76%	300	303
Bulgaria	202,720	8,564	4%	330	330
Croatia	134,460	4,530	3%	130	130
Czechia	26,530	7,089	27%	200	200
Denmark	35,050	22,467	64%	300	300
Estonia	16,700	8,888	53%	300	300
Finland	49,710	12,148	24%	300	302
France	456,520	93,516	20%	330	330
Germany	276,120	163,723	59%	330	330
Greece	684,950	7,967	1%	300	300
Hungary	430,000	6,658	2%	330	331
Ireland	137,560	5,135	4%	150	151
Italy	1,145,710	133,605	12%	330	332
Latvia	69,930	3,811	5%	300	301
Lithuania	150,320	3,571	2%	270	270
Netherlands	55,680	74,323	100%*	300	300

Poland	1,410,700	20,521	1%	330	330
Portugal	258,980	12,364	5%	330	330
Romania	3,422,030	63,516	2%	330	330
Slovakia	25,660	4,082	16%	100	100
Slovenia	69,900	3,979	6%	100	100
Spain	945,020	23,930	3%	330	330
Sweden	62,940	23,838	38%	330	330

The sample frame relied on a commercial global company register in each country. The coverage is high (above 60%) in three of the 24 countries (BE, DK, NL), average (30-59%) in three (EE, DE, SE). In the remaining countries the coverage is lower than 30%. Commercial business registers typically highlight farmers. We supplemented the primary sample with multiple other sources to maximise coverage. In several countries, additional national lists were identified through desk research and added to the sample frame.

The same questionnaire was administered in all countries. The questionnaire was translated into the main business language of each country in a double revision translation process. The questionnaire was scripted centrally. Local language versions of the script were provided to the interview teams through a centralised CATI system. A pilot survey was carried out in all 24 countries of the study between 13 and 15 February 2023 with a minimum of three interviews per country.

The main fieldwork was conducted from 23 February to 9 May 2023. In four countries, the initial target could not be reached, due to a lack of available sample contacts (Croatia, Ireland, Lithuania, Slovenia). In these countries, a lower revised target was set. The remaining interviews to reach the overall target were distributed to other countries. The overall response rate of the study was 2.4%. This follows the AAPOR[36] standard definition of basic response rates and corresponds to the AAPOR Response Rate 3.

The amounts of loans were collected with open-ended questions. To mitigate the problem of extreme values, we applied outlier trimming in the tabulation of results. The outlier threshold was decided after testing different thresholds on the maximum value for each variable. The values were capped at the 99th percentile for variables where extreme values occurred.

We expected the distribution of farms would be skewed towards larger farms, as smaller farms tend to be underrepresented in the sample frames. Corrective weighting was therefore applied to match the universe profile based on Eurostat sources.

The aim of the weighting was to adjust sample farm characteristics to match frame parameters. These weights adjust the sample to account for differential non-response by sector, region, farm size and age of the farm manager. The final weighting ensures the sample matches the enterprise population by:

- Sector: perennial/non-perennial crops, animal production, mixed farming;
- Region: following the NUTS1/2 classification;
- Size: farm size bands;
- Age of the farm manager: below 40 years/40 years and older

36 https://www.aapor.org/AAPOR_Main/media/publications/Standard-Definitions20169theditionfinal.pdf

Due to the differences in the sample profile and population distributions, weighting led to less precision in survey estimates. To mitigate for this, we trimmed outlying weights. Therefore, the weighted data will slightly deviate from the Eurostat population figures. However this deviation is expected to have minimal impact on the survey outcomes due to the relatively small deviations post weighting and the typically relatively weak relationship between the profiling variables we weighted by and the survey outcomes.

The population targets used for weighting were sourced from the main farm indicators database on the Eurostat website.

Data quality is ensured by centralised CATI scripting and controls during fieldwork. In addition to this, there were quality procedures pertinent to data collection, processing and editing. Quality controls included fieldwork monitoring of interviewers (around 10% of all interviews were monitored, each interviewer was monitored at least once) and detailed checks on intermediary data.

Notes

www.fi-compass.eu
contact@fi-compass.eu
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European Commission
Directorate-General
Agriculture and Rural Development
B-1049 Brussels

European Investment Bank
Advisory Services
fi-compass
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg