



Mario Guido, Financial Instruments Advisor,
European Investment Bank

Maria Nucera, Market Analyst, Istituto di Servizi per il
Mercato Agricolo Alimentare (ISMEA), Italy

Immacolata Russo, Agriculture Sector Specialist,
Iccrea Banca, Italy

Financing needs in agriculture and agri-food sectors in Italy



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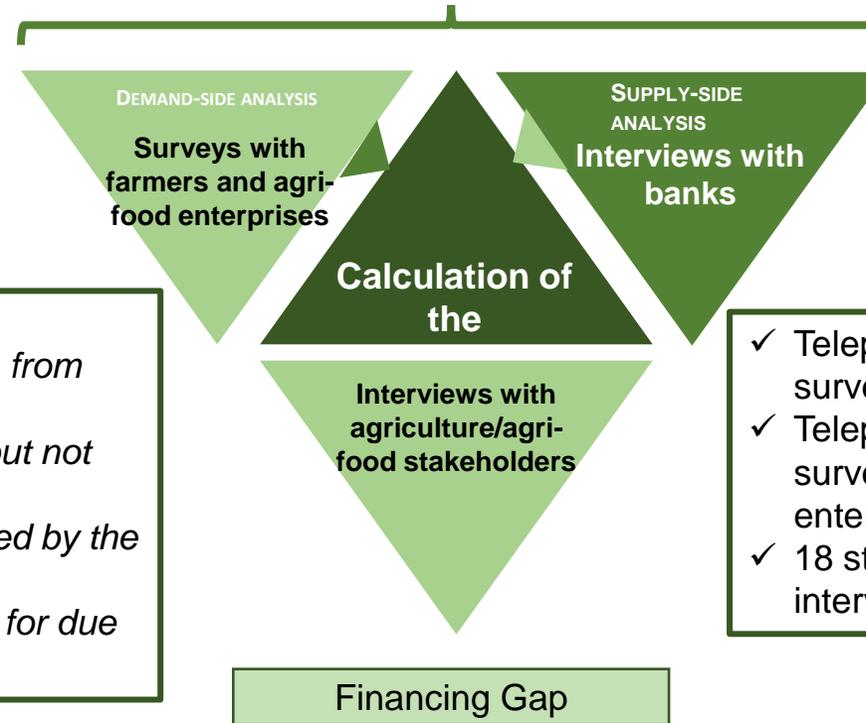


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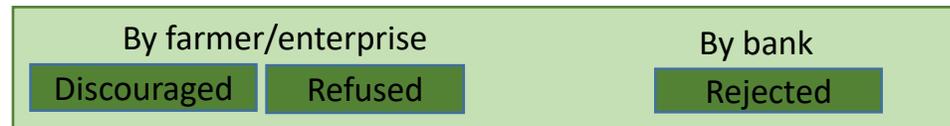
Methodology



Financing GAP
Unmet financing demand, from viable enterprises:

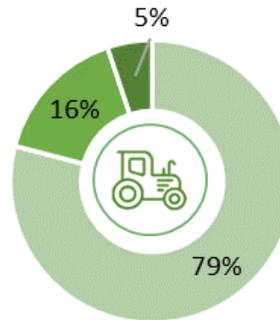
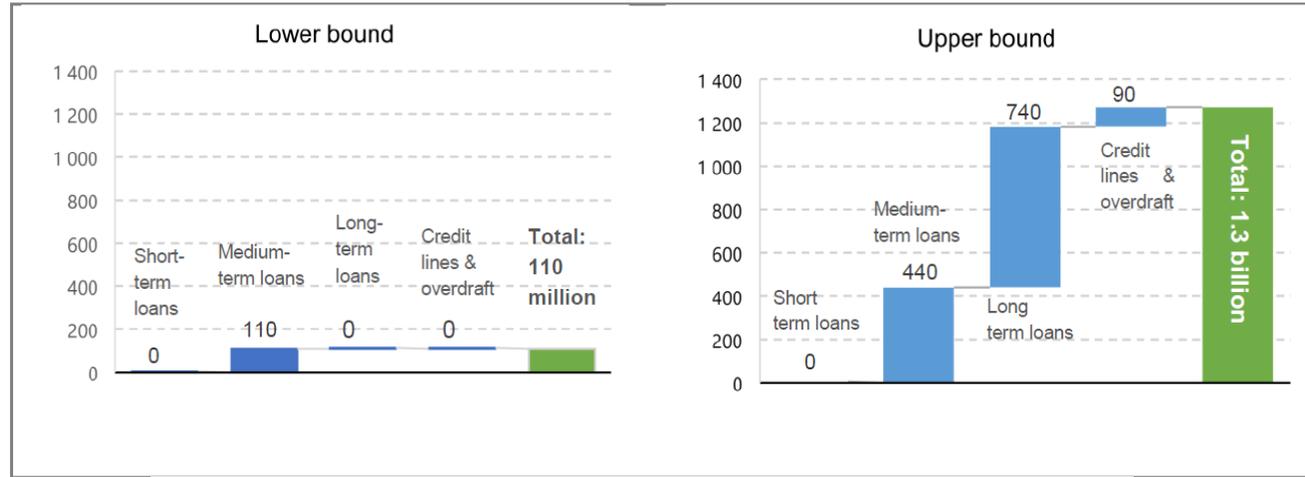
- ✓ (i) lending applied for but not obtained
- ✓ (ii) lending offers refused by the potential borrower
- ✓ (iii) lending not applied for due to expected rejection

- ✓ Telephone (CATI) survey 351 farmers
- ✓ Telephone (CATI) survey 200 agri-food enterprises
- ✓ 18 stakeholders interviewed



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Financing gap - Agriculture



■ Small-sized Farms ■ Medium-sized Farms ■ Large-sized Farms



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Main obstacles



Lack of collateral

- Small size, low capitalisation. New entrants and young farmers particularly disadvantaged

Lack of financial accounting, credit history, Business Plan quality

- Small enterprises and new entrants

Limited financial education

- Discourages farmers from applying for finance, or makes more likely the rejection of their loan application

Lack of agricultural expertise within the banking sector

- Absence of specific rating models and most banks' generally low competencies in agriculture financing also drive the gap (farmers tend to be placed in the highest risk category and requested to pledge substantial personal collateral to secure loans)

Recommendations - Agriculture



1

A larger share of RDP funds in future programming periods to be allocated to financial instruments as opposed to grant-based investment support

2

Support from financial instruments could be coupled with technical support to enhance farmers' financial, managerial and technical skills, and to support generational renewal in agriculture

3

Financial instruments could also support the offer of flexible financial products for agriculture.

4

Procedures to access, manage and use financial instruments need to be streamlined and simplified



The Italian agri-food sector facing Covid-19 crisis – Market trends

Maria Nucera, Market Analyst, Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA), Italy



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Economic background in 2020



- The Agri-food sector has not been immune to the Covid-19 crisis, but the impact has been **different between** sectors and **within sectors**
- In Italy, food domestic consumption hit a record: **+7.4% compared to 2019**
- Italian foodservice industry turnover collapsed: **-37.4% Jan-Sep 2020/2019**
- Agri-food exports slowing down: **+1.3% Jan-Nov 2020/2019**
- The losses in sales to foodservice industry **were not completely offset** by increases on retail channels
- Food and drink industry was mainly affected: **-1.9% the index of production Jan-Nov 2020/2019**
- Agriculture affected by weather conditions, in addition to Covid-19 crisis: **-3.3% production value and -6.1% value added compared to 2019**
- Wine, floriculture, agro-tourism, pig meat, beef cattle, fishery are the most affected sectors



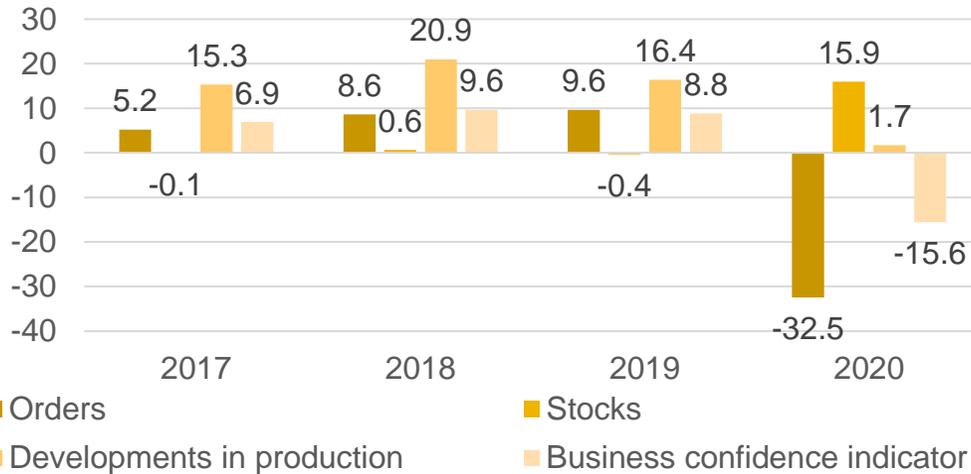
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Business confidence in 2020



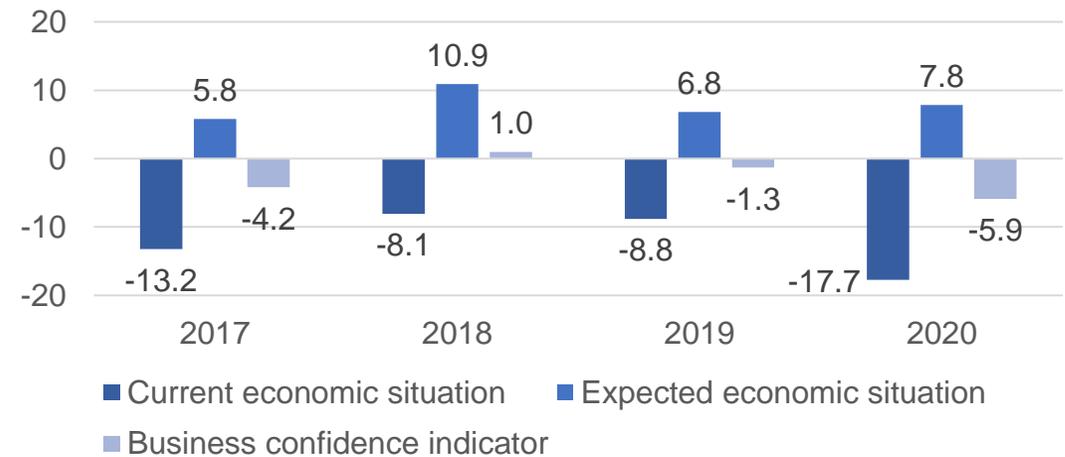
Food and drink industry



- Farmers are **more confident on the future**, also driven by the new CAP programming period
- For **41% of farmers** the Covid-19 crisis had no impact on business

- The collapse of orders and the **weight of stocks** are the new challenges for the food and drink industry
- For **28% of entrepreneurs** the Covid-19 crisis had no impact on business

Agriculture



ISMEA Panel of farmers and Food and drink Industry

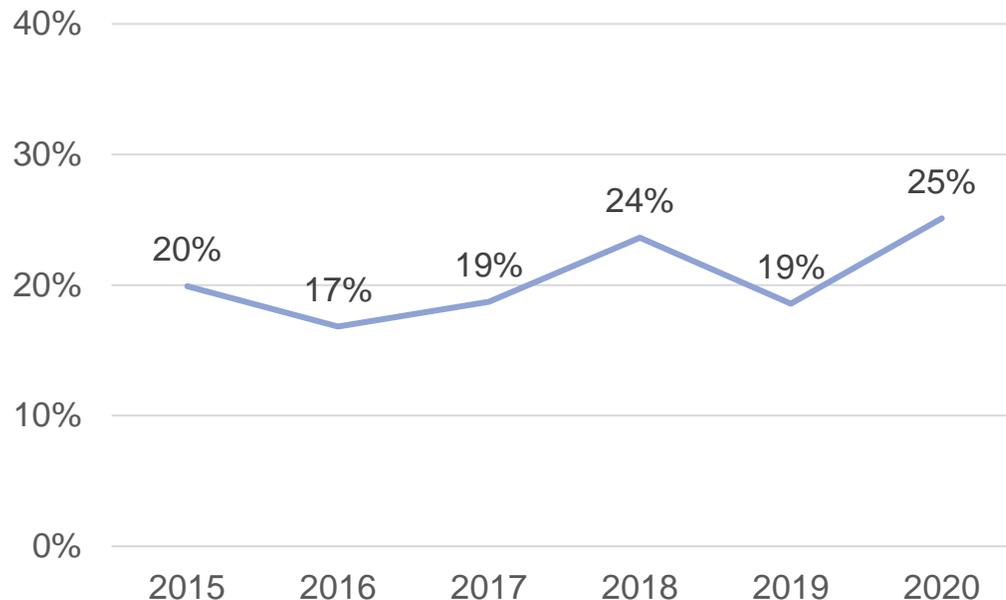
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Farmers' propensity to invest in 2021



Percentage of farmers intending to invest in the following 12 months



- Covid-19 crisis forced many farmers to **shift** investments planned for 2020 to 2021
- Farmers who intend to invest belong to **wine, fruit and vegetable, livestock** sectors, **organic** farming, farms of 30-100 hectare, with a turnover over EUR 100 000
- Main nature of investments: **machinery and equipment (43%)**, buildings (15%) and land (14%), new plantations (10%)
- Still few farmers want to invest in **precision farming (2%)**

survey carried out in September
ISMEA Panel of farmers



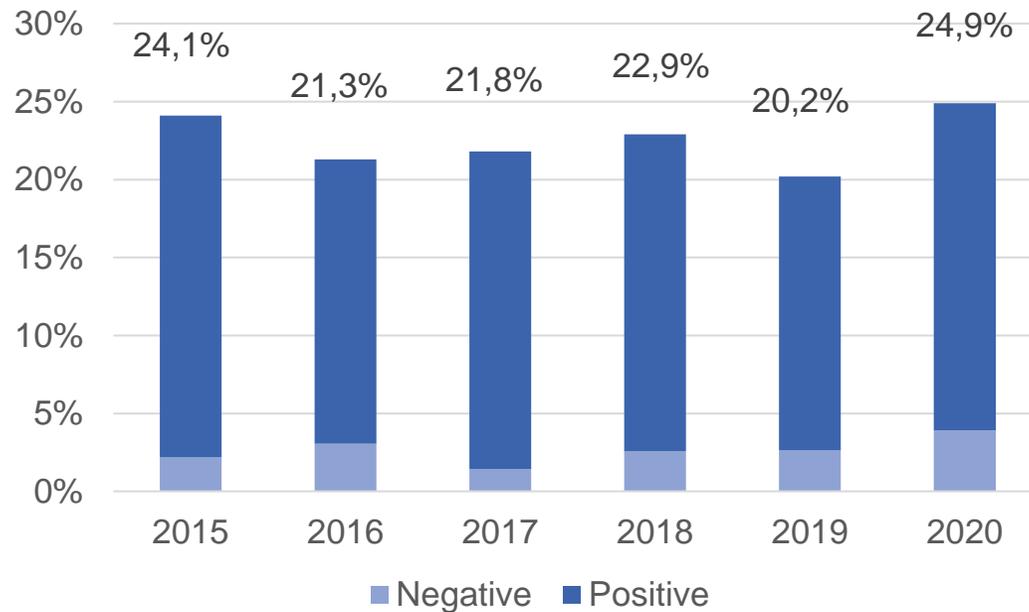
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Access to credit in 2020



Percentage of farmers applying for finance



survey carried out in December
ISMEA Panel of farmers

- The percentage of **farmers who applied for finance during 2020 increased** compared to the previous period
- Food and drink sector has a greater propensity to ask for a credit (**39.4% vs 24.9% of farmers**)
- More medium-long term than short term (**61% for agriculture, 70% for food and drink industry**)
- Debt restructuring is the main destination of loans, followed by machinery and equipment
- Both sectors ask for **instruments against liquidity crisis**, subsidised loans for medium-long term investments and deferral of tax deadlines

Useful recent reports



- “AgriMercati” and “Special Covid-19” periodic Reports with economic analysis for the agri-food sector
<http://www.ismeamercati.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/3552>
- Quarterly Reports on food domestic consumption
<http://www.ismeamercati.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/3562#MenuV>
- Periodic Reports on the Italian agri-food trade
<http://www.ismeamercati.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/9393>
- “Tendenze” periodic Reports with short term analysis and forecasts for the agri-food supply chains by sector
<http://www.ismeamercati.it/report-analisi-agroalimentare/tendenze>
- Report with a regional analysis of credit to agri-food sector by June 2020
<https://www.reterurale.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/22117>
- Report on the wine market before and after Covid-19
<https://www.reterurale.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/22350>
- Report on the impact of the Covid-19 on agri-food sector international trade
<https://www.reterurale.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/22258>
- Report on the future of the Italian swine sector
<https://www.reterurale.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/22294>



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Gruppo Bancario Cooperativo Iccrea is the largest Italian cooperative group.



CET1 16.1%
RTB 16.8%
Asset soundness indicators



127 MLN
Group net profit



106.4 Billions
Direct collection



91 Billions
Net loans to households and SMEs in the territory



10.3 Billions
Shareholders' equity



Our Gruppo Bancario Cooperativo Iccrea



Local nature of the Cooperative Credit Banks, aimed at promoting the growth and development of local economies in the geographic areas covered.



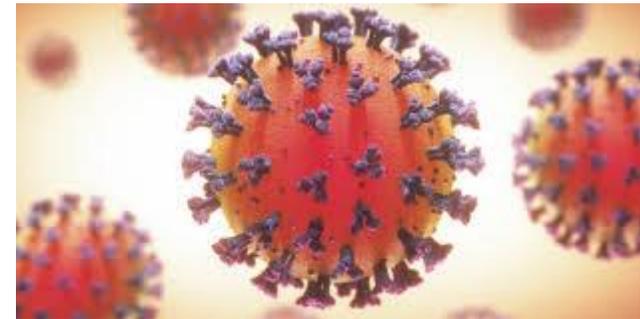
Innovativeness of **products, services**, organisational and technological **solutions** adapted to market needs.



Respect and enhancement of **mutual aims** and **cooperative principles** of the Cooperative Credit Banks.

The impact of Covid-19 in the agricultural and agro-industrial sector

What's happening?
What will the future bring?
What are others doing?
What can I do?
Can I do something different?
Do I need funding?



Agriculture Agri-food

Different language
Different expectations
No mutual knowledge

Lack of planning
Lack of financial planning
Lack of technical knowledge
Lack of adequate professional profiles

Banks

Don't know the sector well
Lack of standard assessment documents
Not knowing the characteristics of the reference markets

Precision farming
Innovation
Environmental sustainability



Imma Russo

Agriculture sector specialist

irusso@iccrea.bcc.it

+39 335 7250258



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financial instruments capacity building Farming
 Rural development funding agreement EU guidance
 added technical support co-financing ex-ante assessment final
 value seminars governance intermediaries recipients
 leverage EAFRD fi-compass investments
 Agriculture case studies
 business plan thematic objectives Targeted coaching
 advisory services Thank you equity
 RDP guarantees life cycle combination of support
 conferences banks revolving
 fund of funds loans microfinance CAP
 manuals managing authorities factsheets
 DG AGRI Agricultural products investment strategy EIB Group