fi compass EAFRD

Flexible financial products for the agricultural sector in the EU

European Commission

European Investment Bank
The EU bank

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Glossary and definitions

Expression	Explanation
CAP	Common Agricultural Policy
EAFRD	European Agricultural Fund for Rural Development
ECB	European Central Bank
EIB	European Investment Bank
EIF	European Investment Fund
RDP	Rural Development Programme
SMEs	Small and medium-sized enterprises

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1. INTRODUCTION

This report reviews the use of and interest in financial products with flexible repayment schedules (defined in this report as 'flexi' products) for agricultural enterprises in the EU.

Price volatility and, more generally, unexpected changes in market conditions, create uncertainty which increases the risks both for farmers seeking finance and for financial institutions providing such finance. Uncertainty may impact a lender's risk assessment and result in price mark-ups and/or other requirements such as higher than normal collateral. Furthermore, a farmer may be discouraged from undertaking activities or investments due to unpredictable revenue streams, non-existent or highly-priced insurance, or because income support tools are not always available to mitigate risks related to price volatility.

These circumstances may lead to sub-optimal investment decisions in agriculture, which suggests that European Agricultural Fund for Rural Development (EAFRD) support for new flexi products could help. For this reason, DG AGRI and the European Investment Bank (EIB) in the context of *fi-compass*, have initiated a study to investigate the feasibility, possible value added and scope of flexible financial instruments responsive to market fluctuations, to address sub-optimal investment conditions and contribute to rural development policy implementation.

The first part of the study[1] focused on the dairy sector in three Member States (France, Ireland and Italy) and revealed that interest in market responsive financial products seems to have already translated into practice. There are diverse 'flexible' loans on the market, although with different levels of specialisation and complexity. These products have often been developed without any public support. The study findings suggest that public support may help to further improve the conditions of existing market responsive financial products and make such products available to more than just dairy farmers in some countries, including in Member States where similar lending schemes are not yet available.

The second part of the study – i.e. this report – extends the previous analysis by screening 216 financial intermediaries in the EU and focusing on the lending behaviour and schemes of 47 of them in 16 Member States (Austria, Bulgaria, Croatia, Estonia, France, Germany, Hungary, Ireland, Italy, Lithuania, the Netherlands, Romania, Spain, Sweden, Poland, and Portugal). The intermediaries were determined after a thorough screening of the websites of 216 banks and financial operators in these Member States.

This report:

- assesses 'flexi' products for agricultural sectors across the EU and reviews their key characteristics;
- investigates the need and interest for these products among EU financial intermediaries;
- evaluates the potential for EAFRD financial instruments to support such products.

This report also offers a classification of existing agricultural 'flexi' products based on two levels of flexibility:

- **'On-demand' flexibility**, depending on farmers' needs. Flexible conditions are agreed when the contract is signed by the financial intermediary and the borrower, but these conditions can be activated based on farmer's request. Such a mechanism does not operate automatically but rather on the farmer's decision to adjust repayments.
- **'Self-adjusting' flexibility**, when the repayment is automatically linked to market indicators, such as a price index. This is not directly based on farmers' needs and specific characteristics but depends on variations in market prices. This type of product is rarely observed.

1 *fi-compass* (2018), 'Study into an EAFRD price volatility financial instrument', final draft report, February 2018; see also *fi-compass* (2017), 'Potential role of market responsive EAFRD financial instruments – Feasibility study – Initial findings', factsheet, November 2016.

These definitions are a first attempt to categorise the complex concept of 'flexible' financial instruments for agriculture (mostly loans), since there are no definitions and classifications in the literature. This categorisation derives from analysis of the data and information on the ground and should not be interpreted as exhaustive.

In addition, a significant share of the financial intermediaries offers financial products defined for the purpose of this study as '**bespoke**'. These are products where the repayment schedule is structured around the specific characteristics of the borrower (e.g. need for longer maturity or adaptation to cyclical cash flows), but the conditions cannot be modified during the lending period.

The analysis is based on the following methodological approach:

- Task A – desk analysis of current financial products for agriculture through the screening of financial intermediaries' websites;
- Task B – structured interviews with selected financial intermediaries from Task A;
- Task C – product fiches for identified 'flexi' products, based on desk analysis and interviews under Task B.

As an outcome, the report is structured as follows:

- Chapter 1 (this section) is the introduction.
- Chapter 2 describes the methodological tools and introduces the key concepts of flexibility.
- Chapter 3 analyses financial intermediaries with products for the agricultural sector.
- Chapter 4 focuses on 'flexi' products.
- Chapter 5 presents 11 product fiches for 'flexi' products; each case study analyses the flexibility mechanism, key results, lessons learned and challenges faced.
- Chapter 6 offers conclusions and policy recommendations.
- Annex I contains the product fiches describing the 11 'flexi' financial products.
- Annex II describes the methodological tools used for the desk research and interviews and details the questions asked.
- Annex III contains the list of interviews.
- Annex IV summarises the key characteristics of flexible products identified through desk research.

2. METHODOLOGY

2.1 Key methodological steps

This report is mainly based on the screening of 216 financial intermediaries and direct interviews with 47 selected financial intermediaries operating in the field of agriculture. Of 23 flexible financial products identified, 11 have been analysed in detail. The analysis was carried out between December 2017 and February 2018. Table 2.1 shows the intermediaries screened and interviewed, and the products analysed.

The screening and interviews cover a sample of banks and other financial intermediaries in 16 Member States, namely Austria, Bulgaria, Croatia, Estonia, France, Germany, Hungary, Ireland, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Spain, and Sweden. Besides, two more interviews were carried out, in Belgium and in Finland.

A team of national experts collected information through:

- **Task A, desk research**. For each country, a preliminary desk research identified and selected financial intermediaries working with the agricultural sector – up to 10 for small Member States (Croatia, Estonia and Lithuania) and up to 20 for the rest. The research focused on flexible financial products, also collecting information on those designed for farmers and backed by public support.[2] Annex II details the tool used by the national experts for Task A, while Annex IV describes the main features of the flexible products identified.
- **Task B, interviews.** The second step was based on identifying up to three intermediaries in each of the Member States for structured interviews, to further analyse their (flexible) financial products. In Member States with less than three financial intermediaries working with flexible products, the structured interview checked the interest and need for products with elements of flexibility. Annex II details the interview track used by the national experts for Task B, while the list of interviews with financial intermediaries is provided in Annex III. The interviews had four parts (sub-tasks):
    - B.1: Specific questions on price volatility for **financial intermediaries offering 'flexi' financial products**;
    - B.2: Specific questions on price volatility for **financial intermediaries not offering 'flexi' financial products**;
    - B.3: Questions about **generic information** for both financial intermediaries offering and not offering 'flexi' financial products;
    - B.4: Specific questions on **risk mitigation** for both financial intermediaries offering and not offering 'flexi' financial products.

In total (see Table 2.2) 47 financial intermediaries were contacted and interviewed via telephone or email. The rate of response depended on the financial intermediary representative's availability and willingness to share information and perspectives, which were in principle not confidential. This resulted in 15 completed questionnaires from financial intermediaries offering 'flexi' products (Task B.1), 30 from financial intermediaries not offering 'flexi' products (Task B.2), 44 questionnaires on generic information (Task B.3) and 42 questionnaires on risk mitigation (Task B.4).

- **Task C, product fiches.** Finally, among the flexible products identified under Tasks A and B, a more in-depth analysis of 11 products focuses on the:
    - flexibility mechanism;
    - key results (if available and shared by the financial intermediary);
    - main challenges and lessons learned.

2 This analysis is mainly concentrated on debt products such as loans, credit lines or advances against direct CAP payments and does not consider equity instruments or more targeted products such as microfinance.

This report offers an analysis of the above information.

Table 2.1: Number of financial intermediaries screened and interviewed per Member State, flexible products identified and analysed in detail

Member States	Financial intermediaries screened (Task A)	Financial intermediaries interviewed (Task B)	Flexible products identified under Task A and B	Flexible products analysed in detail (Task C)
Austria	8	-	-	-
Belgium	-	1	1	1
Bulgaria	20	3	-	-
Croatia	10	2	-	-
Estonia	9	3	7	2
Finland	-	1	-	-
France	9	3	2	1
Germany	17	6	-	-
Hungary	14	4	-	-
Ireland	4	4	4	3
Italy	20	3	1	1
Lithuania	7	4	4	1
the Netherlands	14	2	-	-
Poland	20	2	3	1
Portugal	13	1	-	-
Romania	19	1	-	-
Spain	17	3	1	1
Sweden	15	4	-	-
Total	**216**	**47**	**23**	**11**

Source: Based on interviews, see Annex II for detail.

Figure 2.1: Distribution of financial intermediaries in the study sample (Task A)

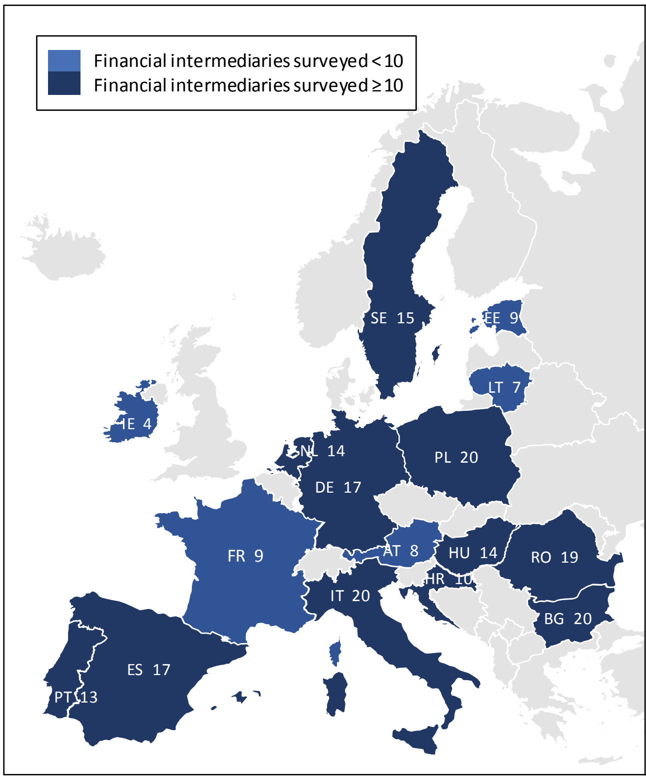
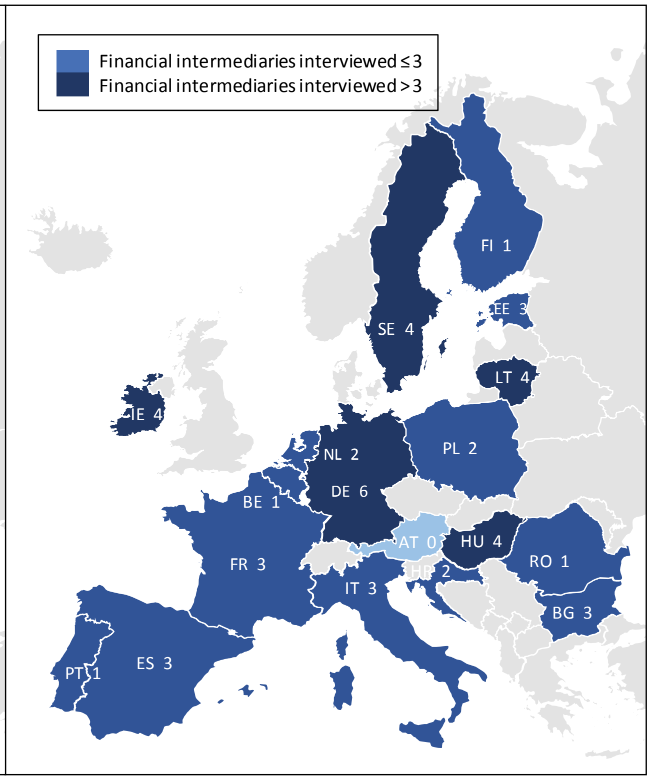


Figure 2.2: Distribution of interviewed financial intermediaries (Task B)



Source: Own elaboration based on desk research and interviews.

Table 2.2: Number of filled questionnaires, Task B

Member State	Total financial intermediaries interviewed	B.1: Financial intermediaries offering 'flexi' products	B.2: Financial intermediaries not offering 'flexi' products	B.3: Generic information	B.4: Risk mitigation
Belgium	1	1	-	-	-
Bulgaria	3	-	3	3	3
Croatia	2	-	1	2	1
Estonia	3	2	1	3	3
Finland	1	-	1	1	1
France	3	2	1	3	3
Germany	6	-	6	6	6
Hungary	4	-	3	3	3
Ireland	4	4	-	4	4
Italy	3	-	3	2	2
Lithuania	4	3	1	4	4
The Netherlands	2	-	2	2	2
Poland	2	2	-	2	2
Portugal	1	-	1	1	1
Romania	1	-	1	1	-
Spain	3	1	2	3	3
Sweden	4	-	4	4	4
Total	**47**	**15**	**30**	**44**	**42**

Source: Based on interviews, see Annex II for detail.

2.2 Key definitions of flexibility

In financial products (e.g. loans) offered by financial intermediaries, there is flexibility when repayment conditions for the borrower (farmer) can vary according to conditions and criteria agreed ex-ante (i.e. before signing the loan contract). Such conditions can be in terms of interest rate, instalment amounts, partial or total suspension of repayments. Flexibility can be at the borrower's request or automatically linked to price variations.

Since there is no classification in the literature, we define two levels of flexibility for the purpose of this analysis:

a) '**On demand' flexibility:** conditions and criteria are agreed ex-ante between the financial intermediary and the borrower and can be activated within the duration of the loan based on a request (normally written) by the farmer. This type of flexibility does not operate automatically. These 'flexi' products can be distinguished in two sub categories:

- Flexibility on a farmer's request with no justification or supporting documents needed.
- Flexibility at a farmers' request, but the need has to be justified by individual/sectorial/macro-economic indicators and/or sufficient documentation provided by the farmer.

For both sub categories, the bank can retain discretion in allowing changes to the repayments. Different levels of discretion range from loans which include a simple option for the farmer that cannot be refused by the bank, to loans where the bank can evaluate the situation case by case and can even refuse any changes in the schedule and/or amount of the repayments. Although this distinction is very important from an analytical perspective, it has been very difficult to assess, since this depends mostly on contractual arrangements that are normally confidential and not available for this study.

b) '**Self-adjusting' flexibility:** repayments are automatically linked to market indicators, such as price fluctuations. The most common example of market-responsive flexibility is linked to price variations for the final agricultural products[3], which affect farm revenues, or for inputs such as seed, fertilisers or fuel, which affect farm costs. In these cases, repayment variations are triggered automatically following price fluctuations.

For the purpose of this study flexible products are distinguished from **'bespoke'** ones, where a repayment schedule is structured around the specific characteristics of the borrower, but cannot be modified during the repayment period. This category is based on farm-specific characteristics, such as type of crop, production cycle or cash flows. The financial product is therefore set-up specifically for agricultural enterprises in general or for specific types of agricultural enterprise, such as a loan tailored to cereal producers. A typical example is when borrower and lender have agreed ex-ante to suspend repayments during part of the production cycle (e.g. November – April) or when there will only be one instalment per year.

Table 2.3: Key elements for adapting repayment schedules in the different categories of financial products

Type of products		Based on	Adaptation before disbursement	Adaptation during the reimbursement period	Adaptation based on automatic mechanism
Flexible	'On-demand'	Farmer's request	-	√	-
	'Self-adjusting'	Market indicators	-	√	√
'Bespoke'		Production characteristics	√	-	-

Source: Based on elaboration of the information collected through Tasks A, B and C.

3 See the Irish MilkFlex Fund experience presented in *fi-compass* (2018), 'Study into an EAFRD price volatility financial instrument', final draft report, February 2018; see also *fi-compass* (2017), 'Potential role of market responsive EAFRD financial instruments – Feasibility study – Initial findings', factsheet, November 2016.

Box 2.1 – Effects of price volatility and seasonality of production: the Irish dairy sector

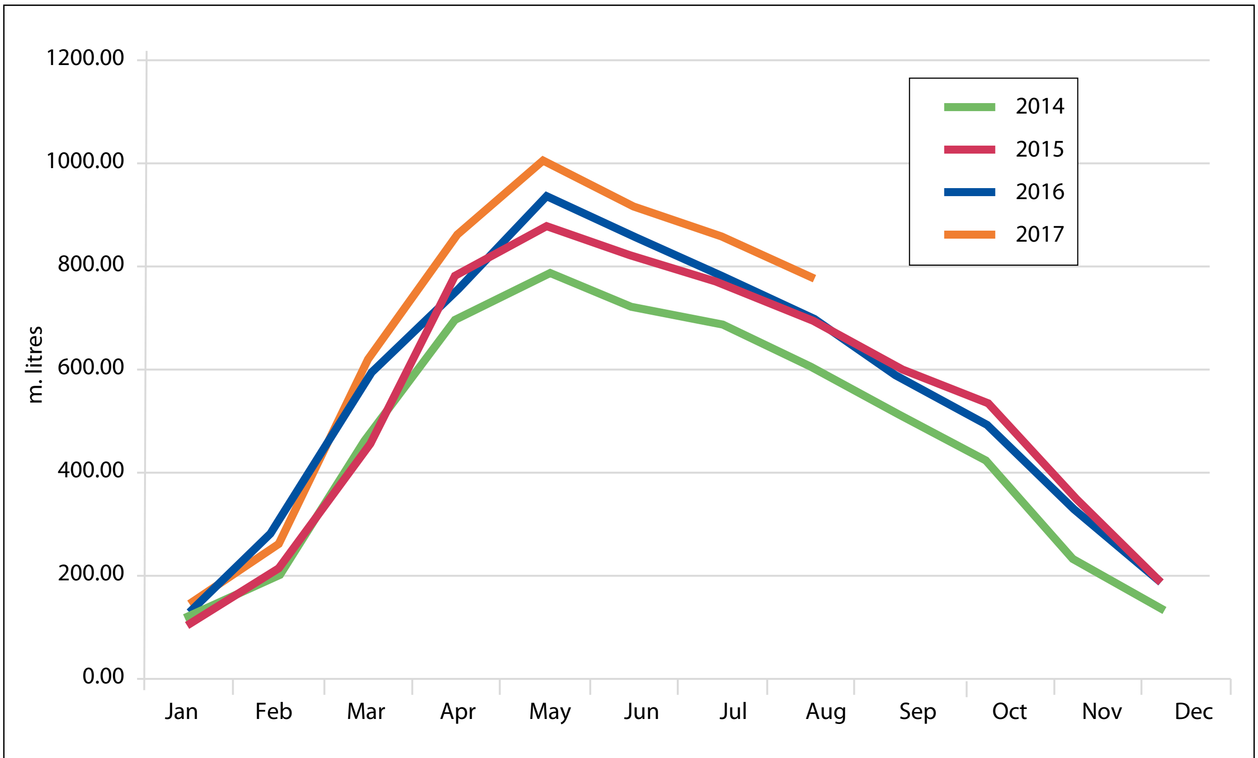
The Irish dairy industry and market involve unique features which have implications for farm loan flexibility. These underlie the rationale of the flexible loans for dairy farmers launched in recent years, in particular after the economic crisis. Irish dairy farmers, compared to EU peers, experience extreme cyclical milk price variations. However, they specifically rely on outdoor pasture which is unusual for Europe and creates additional variations of production costs and volumes.

Extreme milk price and dairy farmer income volatility have become a significant negative feature of the Irish and EU dairy industry since abandonment of the EU CAP price stabilisation policy in the early 2000s[4]. In recent years monthly milk prices have fluctuated up to 100% of their peak value. At the same time, average dairy farm incomes in Ireland over the last two years rose from EUR 52 000 in 2016 to EUR 91 000 in 2017, an increase of 75% in just one year. This is remarkable growth, rarely seen in other sub-sectors.

Seasonal Milk Production and Payments for Milk

While milk production in other EU countries is fairly even year-round, dairy farmers in countries which rely on outdoor pasture as their primary animal feed source for dairy cows, tend to supply milk on a highly seasonal basis. In the EU this is solely in Ireland, however in global terms a few other leading dairy countries such as New Zealand and Australia also have highly seasonal milk supplies. Irish milk production in the spring and summer months (May – June) is six to eight times greater than in the winter months (December – January).

Figure 2.3: Milk production in Ireland, 2014 to 2017



Source: Irish Farmers' Association, Factsheet on Irish Dairying 2017.

Payments for milk in Ireland are monthly, about halfway through the following month. Thus, Irish dairy farmers receive most of their payments from May to August. Financial intermediaries normally respond to this with flexible loans where repayments are considerably larger in summer months compared to the rest of the year.

4 For an assessment of the methods of dealing with extreme cyclical variation in prices see for example Keane, M., & O'Connor, D. (2009), Price Volatility in the EU Dairy Industry: Causes, Consequences and Coping Mechanisms. European Dairy Association, Brussels.

3. FINANCIAL INTERMEDIARIES AND THEIR PRODUCTS FOR AGRICULTURAL ENTERPRISES

This chapter is based on analysis of information from 216 financial intermediaries and their financial products across the 16 Member States. It investigates:

- key characteristics of the financial intermediaries using information collected through Task A (such as financial intermediary profiles and financial products, distinguishing those specific for agriculture);
- more punctual information on financial intermediary activity from interviews (Task B, in particular Task B.3 and B.4), such as the share of agricultural finance in their overall portfolio, pattern of lending to agriculture in the past and next three years, default rate and loan restructuring, as well as their use of credit guarantee schemes.

Key findings

Desk research (Task A):

- The financial intermediaries include public and private bodies, commercial banks, guarantee funds, cooperative banks, as well as promotional and development financial institutions. As expected, these offer a large variety of financial products and services.
- A large majority of these financial intermediaries target farmers and offer them dedicated financial products.
- Intermediaries issue mostly medium-term loans (2-5 years) for investments in agriculture, followed by short-term loans (<12-24 months), e.g. for working capital, and long-term investment loans (> 5 years).

Interviews (Task B):

- The financial intermediaries have, on average, a significant share of agricultural financing in their portfolio.
- Lending to the agricultural sector has increased in the last three years.
- Perceptions for the future indicate a further increase in demand for agricultural financing, potentially driven by sector expansion, availability of EU funds, farm modernisation, price and availability of land, and financial intermediary policy.
- Most respondents offer loans with repayments based on seasonality (i.e. following the production cycle), followed by loans with longer maturities; most of them have specialised staff for agricultural financing.
- The default rate of agricultural enterprises, compared to other SMEs, is the same or lower for most of the financial intermediaries.
- Agricultural enterprises also have an equal or lower rate of loan restructuring compared to other SMEs, for most of the financial intermediaries.
- Financial Intermediaries make substantial use of credit guarantee schemes in their agricultural lending.

3.1 Key results from the Desk Research (Task A)

For this study, 216 financial intermediaries from 16 European Member States were screened by analysing the information on financial products available on their websites (see Chapter 2 for details on the methodological tools). The desk research was ‘focussed’ on financial intermediaries particularly interested in agriculture or with a (high) market share in financing the sector. The following criteria, in order of priority, were also taken into account:

- offering ‘flexi’ financial products according to the categorisation proposed in Section 2.2;
- financial products specifically designed for agriculture, although not flexible (i.e. financial products offered to agricultural enterprises that differ from products for other enterprises);
- offer financial products for all types of enterprises including agricultural, without a specific differentiation.

The screening was not to create an exhaustive sample of financial intermediaries, but rather to check their relationship with agriculture. However, given the high number of intermediaries screened and their total market share, the desk research turned out to provide a good picture of current products available in the EU.

Moreover, in some Member States, finance for agriculture is highly concentrated in a few financial intermediaries. These include France, where Crédit Agricole has a market share of 75% to 80%, and Ireland where Allied Irish Bank, Bank of Ireland and Ulster Bank account for 90% of the market.

The majority of the financial institutions were private banks, predominantly commercial banks but also foundations and financial associations offering financial support to farmers. There were also public and cooperative banks (see Figure 3.1). The sample includes banks belonging to large banking groups with EU-wide coverage, as well as national, inter-regional or regional intermediaries and some small local intermediaries. The **majority however operate at national level** (see Figure 3.2).

Figure 3.1: Financial intermediaries, type of ownership

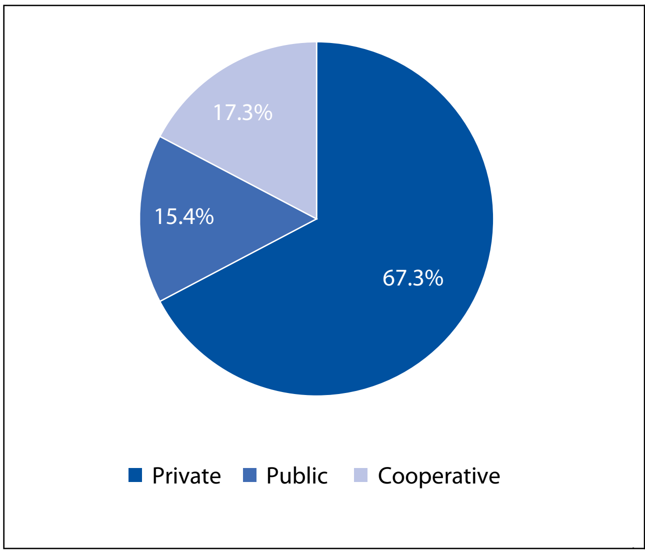
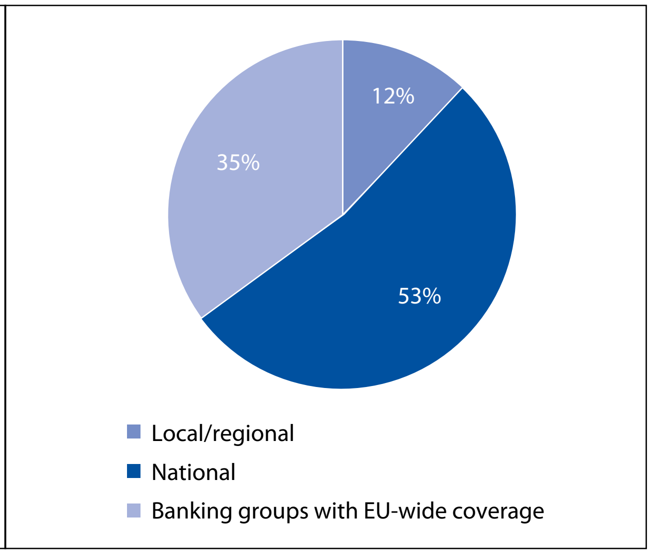


Figure 3.2: Financial intermediaries, geographical coverage



Source: Based on desk research.

Most of the commercial banks have a long track record of direct agriculture financing or have been supporting major investment programmes to develop agriculture and related sectors in their respective countries. Some of them were established to provide financial assistance to local farmers and farmers' associations, becoming national and/or global financial leaders in the agriculture sector.

Most of the commercial banks participate in national and/or EU-level funding initiatives, especially in Eastern Member States, as well as in loan guarantee schemes for enterprises supported under Rural Development Programmes (RDP) 2014-2020. Such initiatives have a positive impact on diversifying bank products and increasing the share of agriculture in their portfolio. Eurobank Bulgaria AD, for instance, signed an agreement with the National Guarantee Fund under the second Guarantee Programme for farmers (with financial support from the Ministry of Agriculture and Food using resources from the financial instrument under the RDP 2007-2013) in September 2016 and by the end of the year reported a 25% growth in loans to the agricultural sector.

Public financial institutions covered in this study include national and regional promotional and development banks, as well as specialised public funds and associations. In most of the 16 Member States at least one financial institution from this group has been analysed. For Germany, only Federal State promotional banks were reviewed as they have a strong presence in agricultural financing.

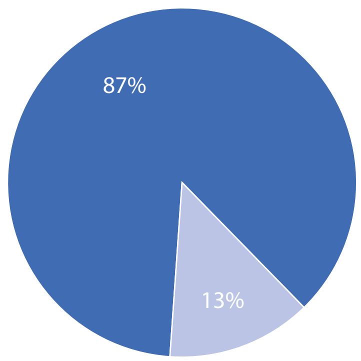
Other financial institutions encompass a variety of **specialised funds targeting agriculture and related sectors.** Some of these have a dominant share of agriculture financing at national level. These non-bank financial intermediaries also offer highly professional assistance and advice on credit and finance for agricultural companies. Some of these institutions were created to provide alternative means of financing for farmers, such as guarantees, or leasing finance to support farmers acquiring farm land.

The screening of each financial intermediary also looked into the type of products offered for agriculture.

As shown in Figure 3.3, most of the financial intermediaries have financial products dedicated[5] to agriculture. Only 13% do not advertise dedicated financial products, but offer the same products for all types of sectors and enterprises. These 29 financial intermediaries of the 216 screened are in the Netherlands (5), Portugal (4), Sweden (2), Romania (3), Lithuania (1), France (5) and Poland (9); apart from one public financial intermediary and two cooperative banks, all of which are private financial intermediaries. Half of them operate at national level and half at European/international level. Austria, Bulgaria, Croatia, Estonia, Germany, Hungary, Ireland, Italy and Spain all have financial intermediaries with a dedicated offering for agriculture.

Financial intermediaries with a farmer-dedicated offer (see Figure 3.4) issue the following financial products the most:

Figure 3.3: Share of financial intermediaries with dedicated financial products for agriculture



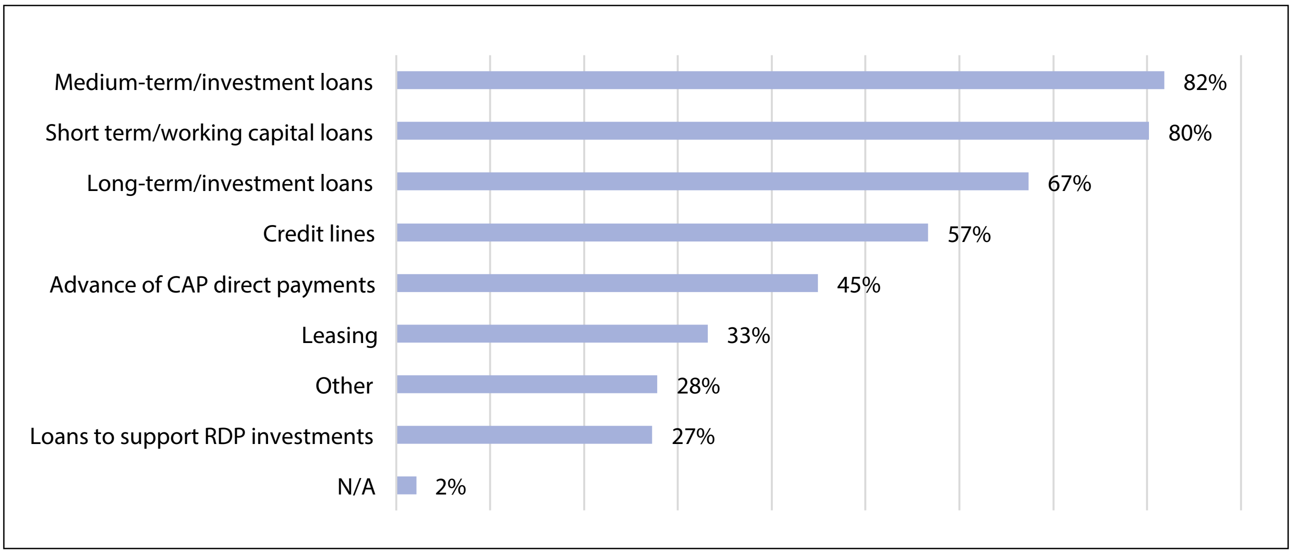
Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.3.

- medium-term loans (2-5 years) for investments, offered by 82% of financial intermediaries, followed by
- short-term loans (<12-24 months) for working capital (80%), and
- long-term loans (>5 years) for investments (67%).

Leasing is less common, at around 30% of those offering dedicated products to agriculture. Leasing contracts are often offered not just by financial intermediaries, but also by specialised organisations, or directly by machinery and equipment suppliers. Interestingly, more than 27% offer specific loans to support grant projects under the RDP investment measures.

5 Financial products on intermediaries' websites dedicated to agricultural enterprises (screening of 216 intermediaries under task A). The classification in Figure 3.3 does not imply a technical analysis of the financial products. Products advertised as dedicated to farmers can have the same technical characteristics as products offered to different target clients.

Figure 3.4: Share of financial intermediaries with dedicated financial products for agriculture, per type of product



Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.4.

Note: A credit line is an arrangement between a financial institution, usually a bank, and a customer, that established the maximum that the customer can borrow. The borrower can access funds from the line of credit at any time, as long as they do not exceed the maximum in the agreement and they meet any other requirements, such as making timely minimum payments.

However, the distribution of financial products dedicated to agriculture varies across the financial intermediaries from the 16 Member States:

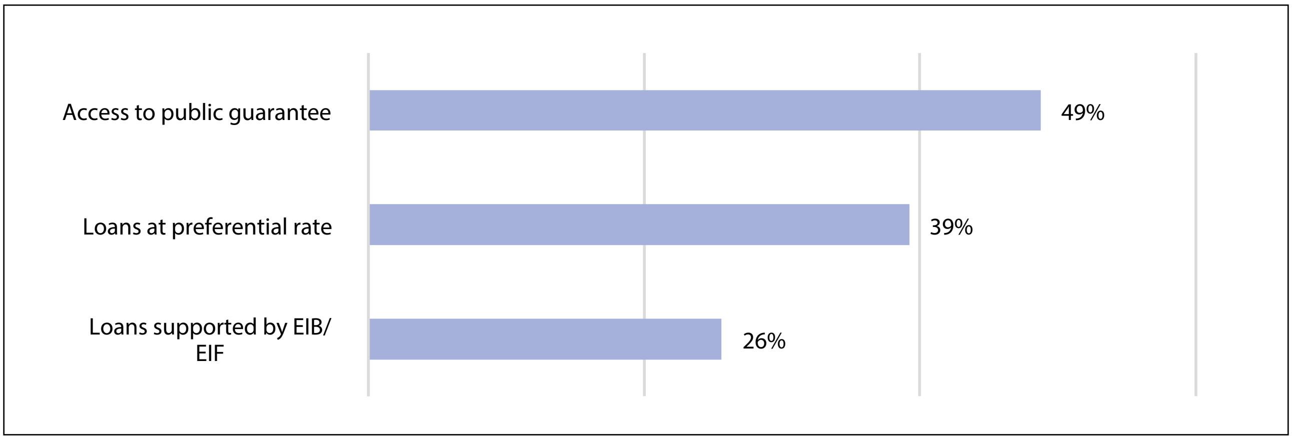
- In Portugal, Hungary, and the Netherlands the share of financial intermediaries offering dedicated long-term loans is much lower than the total sample average (11%, 29% and 33% respectively).
- Germany has the lowest percentage of financial intermediaries offering short-term loans (41%).
- Leasing is used by all intermediaries screened in Sweden and widely used in Ireland (75%), France (75%) and Estonia (67%).
- Loans to support RDP investments are offered by all intermediaries in Lithuania, and by many in Ireland (75%), Bulgaria (70%) and Estonia (67%).
- Advances against CAP direct payments are particularly used by financial intermediaries in Bulgaria (95%), Spain (88%), Lithuania (83%), Hungary (79%) and France (75%). At the opposite end, in Austria, Estonia, Ireland, the Netherlands, Poland and Portugal this product is apparently not offered by the financial intermediaries screened.
- 'Other' products such as insurance and factoring[6], are used in only a few Member States, but a lot in Bulgaria (60%), Poland (55%) and Spain (53%).

6 In factoring, the underlying assets are the seller's accounts receivable, which are purchased by the factor at a discount. The balance is paid to the seller when the receivables are paid to the factor, less interest and service fees. For example, a factor might offer sellers financing up to 70% of the account receivable and pay the remaining 30% – less interest and service fees – when payment is received from the buyer. The advance rate will be determined in part by historical payment patterns, which may vary by country and firm. See Klapper, B. (2005), 'The Role of Factoring for Financing Small and Medium Enterprises' , The World Bank.

The most used products which underlie public support (Figure 3.5) are public guarantees (49% of the financial intermediaries), followed by loans at preferential rates based on national schemes (39%). 26% offer products supported by the EIB Group through funding or guarantees. Across the 16 Member States:

- Access to a public guarantee is not mentioned by financial intermediaries in Portugal and Sweden, and marginally in Poland (7%) and Romania (5%). By contrast, it is particularly frequent in Estonia (100%), Italy (95%), Lithuania (86%) and Spain (77%).
- Loans at preferential rates based on national schemes are offered in Italy (95%), Portugal (92%), Hungary (86%) and Ireland (75%); not in Romania, Spain, or Sweden and only marginally in Bulgaria (10%) and Estonia (11%).
- Loans supported by the EIB/EIF[7] are not frequently cited, with the exception of Ireland (100%) and Italy (55%); apart from Poland and Sweden where the financial intermediaries do not mention these products, the share in the other Member States ranges between 7% (Hungary) and 37% (Romania).

Figure 3.5: Products including public or EU support across the EU and frequency of the offering



Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.5.

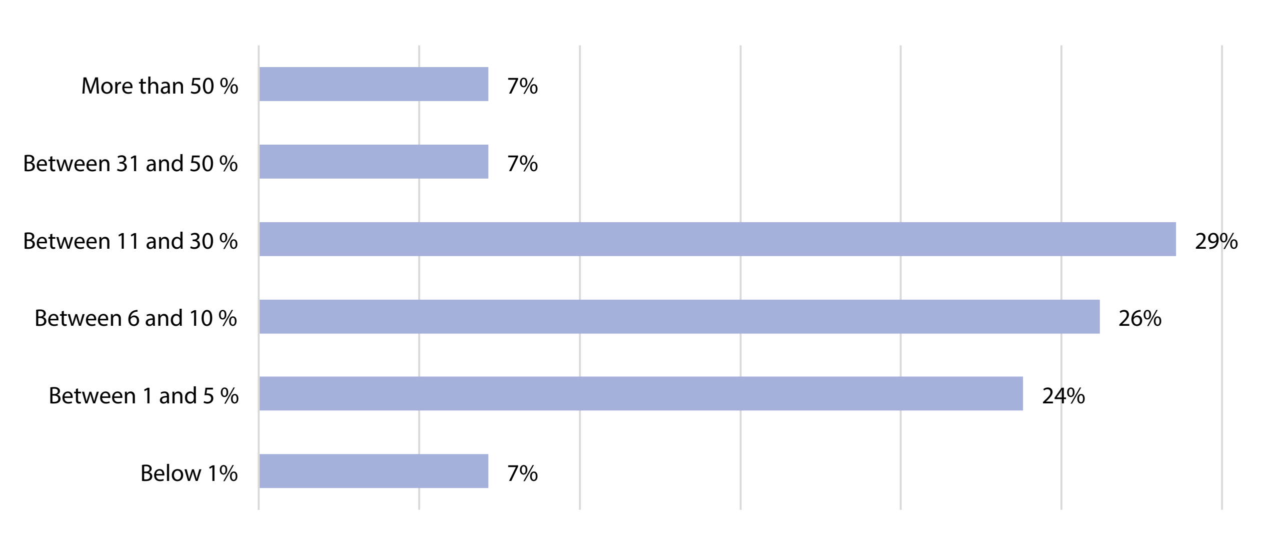
3.2 Key results from the interviews (Task B.3 and B.4)

Further and more precise information on financial intermediary activity with the agricultural sector comes from structured interviews which also highlighted their offering and interest in flexible products. This section is based on interviews with the financial intermediaries under Task B.3, 44 respondents, and B.4, 42 respondents (see Table 2.2 for detail).

As shown in Figure 3.6, 43% of interviewees lend more than 10% of their overall portfolio to agriculture; nearly 7% lend more than 50%. Agriculture contributes only 1.5% to the gross value added of EU-28[8], so this can be considered a remarkable share.

7 Loans based on provision of funding or guarantee provided by the EIB Group.
8 2016, see Table 3 in European Commission (2017), CAP context indicators 2014-2020 – 10. Structure of the economy, 2017 update.

Figure 3.6: Share of agriculture in the overall portfolio



Source: Own elaboration based on interviews, Annex II, Task B.3, Generic Information, Q.1

For 86% of the financial intermediaries, lending volume has increased in the last three years (Figure 3.7). Only seven reported a decrease, these were in Croatia, Estonia, France, Italy and the Netherlands.

A similar pattern is expected for the next three years (Figure 3.8) with 73% of the financial intermediaries anticipating increased demand for agricultural finance with only 8% expecting a decrease (three financial intermediaries from Germany, Lithuania and Sweden) and the remaining 19%, stability.

The reasons behind expectations for increased demand for agricultural finance include:

- **sectorial expansion**: some sectors, such as dairy or organic farming, are expected to expand, leading to an increased need for investment;
- **availability of EU finance**: this highly influences demand (i.e. when expenses can be reimbursed there is more willingness to undertake investments); EU finance also attracts bank financing to co-fund operations (RDP support for investments may increase in the coming years; direct payment relationships between farmers and access to loans); and financial instruments are expected to complement some grants;
- **modernisation of farms:** there are still poor quality elements in the production chain (e.g. storage facilities) which should be renewed;
- **price of agricultural land:** in some areas, the price of the agricultural land is constantly increasing in line with the decreasing supply of agricultural land, leading to intensive investments by farmers;
- **financial intermediary internal policy**: some financial intermediaries intend to expand their activities and to support additional loans to farmers, for both working capital and investments.

Figure 3.7: Lending volume in agriculture in the last three years

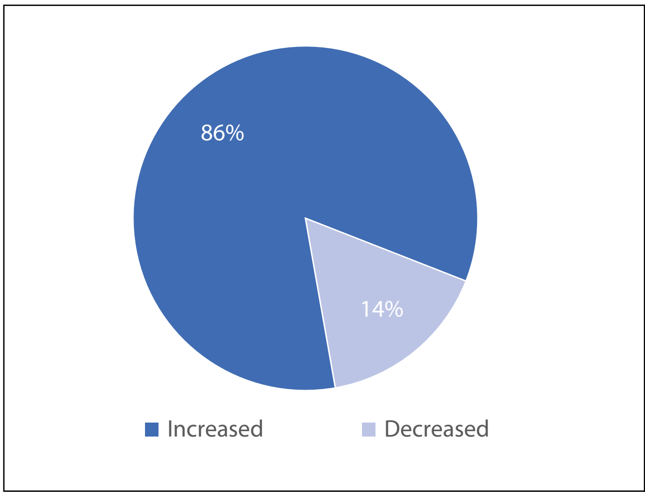
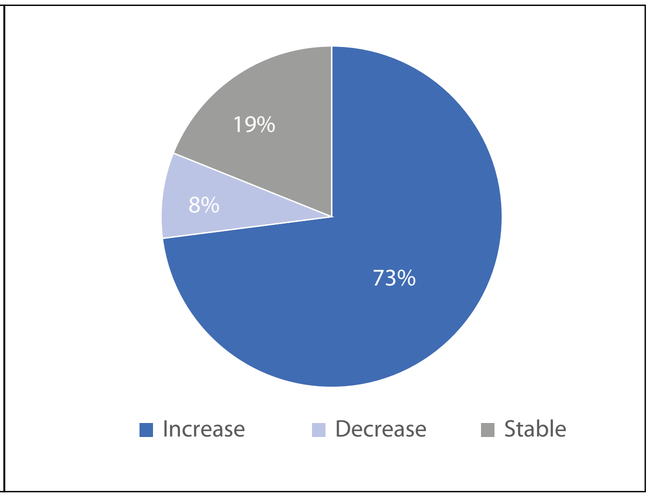


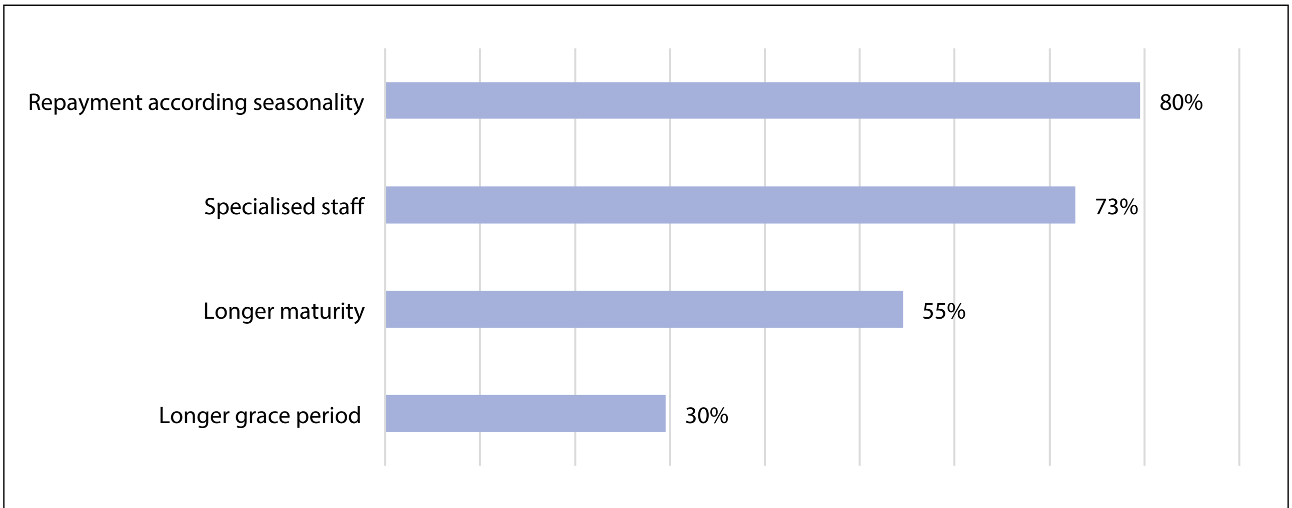
Figure 3.8: Demand for finance in agriculture expected in the next three years



Source: Own elaboration based on interviews, Annex II, Task B.3, Generic Information, Q.2 and Q.3.

Most respondents recognise the specificities of the agricultural sector and apply specific conditions (repayment according seasonality, longer maturity and longer grace period), and/or use specific tools (i.e. specialised staff) in their agricultural lending policy (Figure 3.9). The majority (80%) offer repayment according to seasonality (i.e. production cycle), followed by longer maturity periods (55%). A longer grace period is offered by 30%. Moreover, most (73%) have specialised staff dedicated to agricultural financing.

Figure 3.9: Specificities in financial products currently offered to farmers



Source: Own elaboration based on interviews, Annex II, Task B.3, Generic Information, Q.6.

One important conclusion from the interviews is that the default rate of agricultural clients is the same or lower than for other SMEs for the large majority of financial intermediaries (Figure 3.10). Only for 10%, mostly in Estonia and Spain, was the indicator higher. Also, agricultural borrowers restructure their loans less frequently than other enterprises (Figure 3.11), though more than a quarter of interviewees, in Croatia (1), Estonia (2), France (2), Germany (1), Ireland (1), Italy (1), Poland (1), Portugal (1), and Spain (1) see more restructuring.

Figure 3.10: Default rate of agricultural enterprises with respect to other enterprises (in particular SMEs)

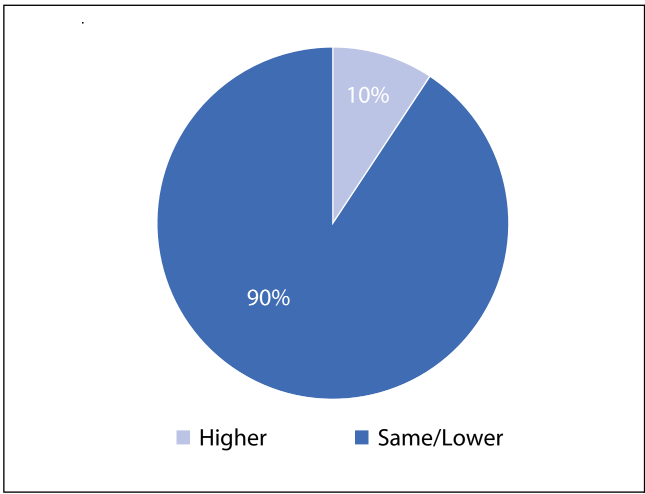
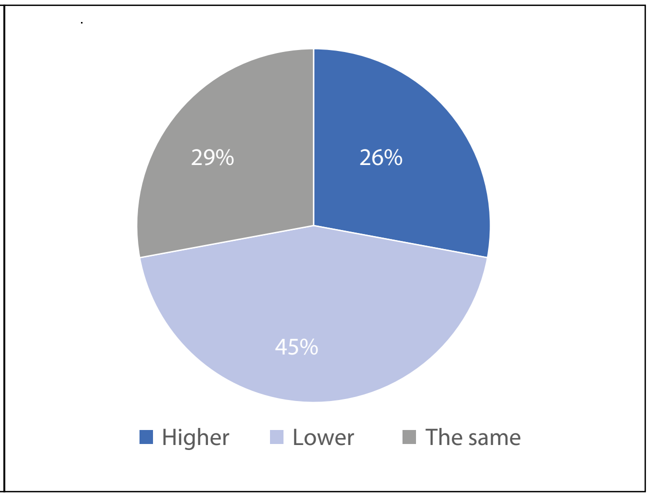


Figure 3.11: Restructured loans for farmers compared to other enterprises (in particular SMEs)

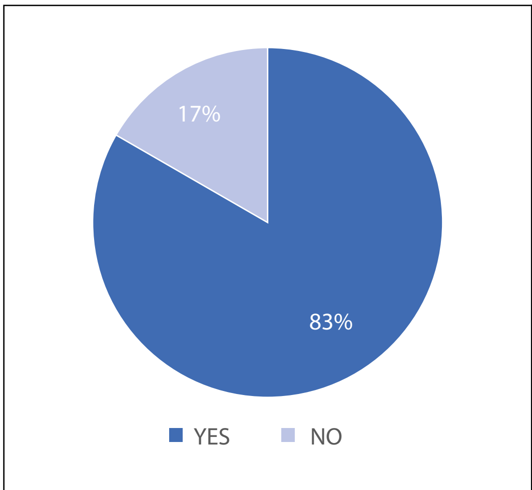


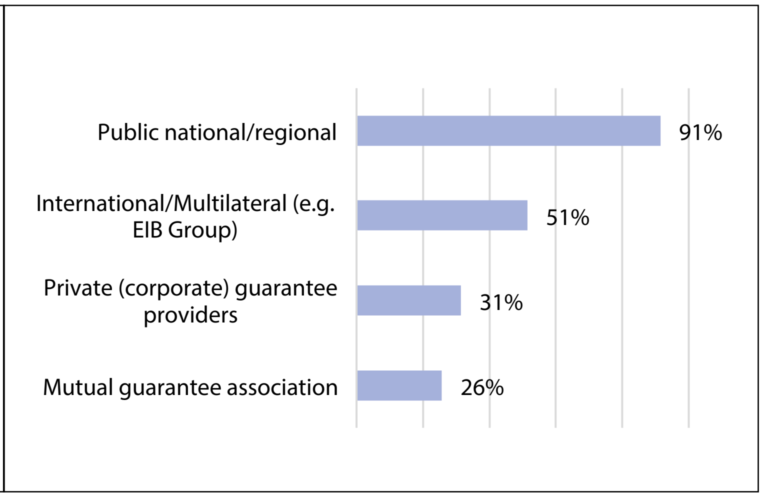
Source: Own elaboration based on interviews, Annex II, Task B.4, Risk mitigation, Q.1 and Q.2.

It is very important to note that this refers to a comparison with non-agricultural SMEs in the financial intermediary's portfolio. So, the answers are not a solid indication that the agricultural sector is considered as low-risk in absolute terms, but it may provide stability in lending terms.

Guarantees provided by credit guarantee schemes[9] (Figure 3.12) are used a lot by the financial intermediaries (83%), in particular public national schemes (91%), and/or international or multilateral schemes (51%). The use of guarantees provided by mutual guarantee associations and private providers is more limited, 26% and 31% respectively (see Figure 3.12).

Figure 3.12: Financial intermediaries using credit guarantees provided by credit guarantee schemes for agricultural loans and type of institution





Source: Own elaboration based on interviews, Annex II, Task B.4, Risk mitigation, Q.5.

9 Public credit guarantee schemes are a common form of government intervention to unlock finance for SMEs. More than half of all countries in the world have a credit guarantee scheme for SMEs and the number is growing. A credit guarantee scheme provides third-party credit risk mitigation to lenders through the absorption of a portion of the lender's losses on loans made to SMEs in case of default, typically in return for a fee. The popularity of credit guarantee schemes is partly because they commonly combine a subsidy element with market-based arrangements for credit allocation, thereby leaving less room for distortions in credit markets than through more direct forms of intervention, such as state-owned banks. See World Bank (2014), 'Principles for public credit guarantee schemes for SMEs'.

4. FLEXIBLE AND BESPOKE FINANCIAL PRODUCTS

This chapter describes financial products for farmers, per the categories proposed in Section 2.2, including:

- the current flexible ('on-demand' and 'self-adjusting') and bespoke products;
- the characteristics of flexibility;
- the interest of financial intermediaries in providing flexible financial products.

Key findings

Desk research (Task A):

- The desk research identified 22 financial intermediaries offering 'on-demand' flexible products for agriculture and one financial intermediary offering a 'self-adjusting' product.
- Many other financial intermediaries (43) offer bespoke products for agriculture.
- Prolonging loan repayments is the most common type of flexible arrangement, followed by suspension of capital repayments and then lower instalments.

From interviews (Task B.1) – Financial intermediaries offering 'flexi' products:

- 'Flexi' product borrowers are from all agriculture sub-sectors; some of the financial intermediaries offer specific 'flexi' products to final beneficiaries based on production type and/or enterprise size.
- For the additional risk that this flexibility could imply, more than half the interviewees offering 'flexi' products say these products are not riskier.
- Half the respondents specified that no additional collateral is required for the 'flexi' products.
- Although flexibility does not imply more risk or require additional collateral, respondents feel that public support could improve conditions of these products, especially a public guarantee instrument; this implies interest in instruments that reflect the flexibility clauses in the loan contracts with farmers.
- Financial intermediaries offering 'flexi' products indicate that close and continuous communication with clients as well as clear framework conditions, including when and how payments will be made, are essential; products should be simple and standardised. Within intermediaries, comprehensive financial knowledge for evaluation is important, especially education on volatility management and risk anticipation from the start; diversification and sustainable farming are very important to reduce the risk of using 'flexi' products.

From interviews (Task B.2) – Financial intermediaries not offering 'flexi' products, most respondents:

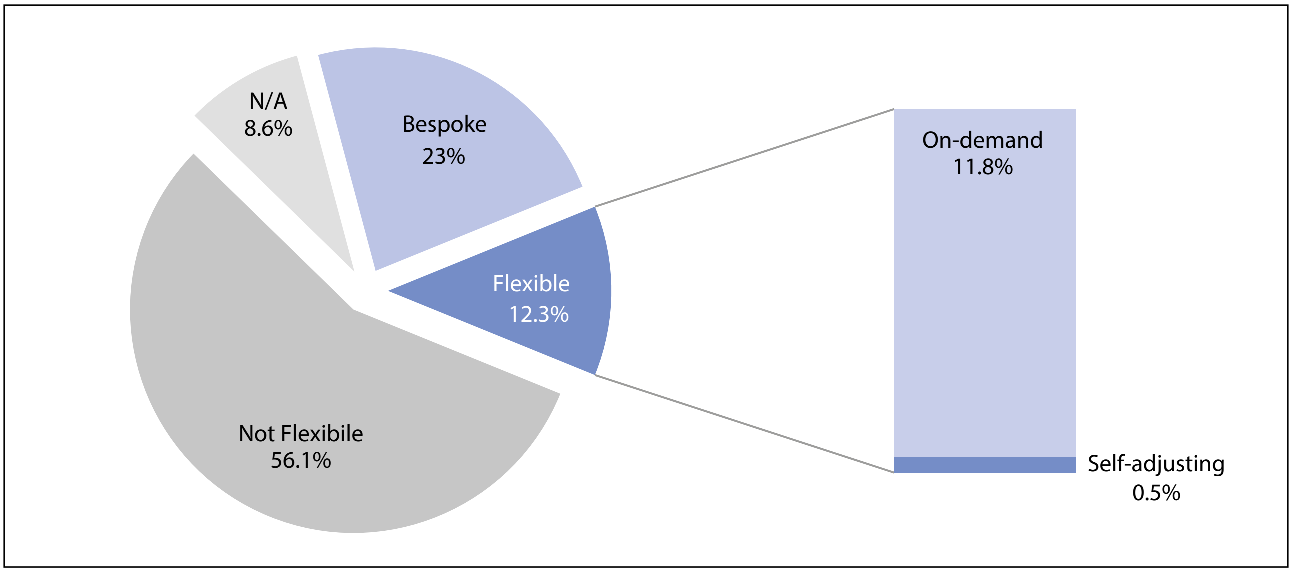
- See a need for 'flexi' products in the agricultural sector and would be interested in offering these.
- Perceive flexibility as riskier; however, this would not result in more collateral than standard products.
- Feel risk coverage through a public guarantee instrument could result in better conditions for 'flexi' products.

4.1 Key results from the desk research (Task A)

The key objective of the desk research was a preliminary identification of any financial intermediary offering a flexible product to agriculture as categorised and described in Section 2.2. The research was based on financial intermediary websites (e.g. 'suspension of the total repayment of the instalment that can also be requested several times for a maximum period of 12 months'). Products where information was not sufficiently clear to label an offering as 'flexible' and this was not confirmed in the interviews, were not included or analysed.

Of the financial intermediaries with dedicated products for agriculture (87% of the 216 financial intermediaries, see Figure 3.3), more than 12% offer loans with some element of flexibility (see figure 4.1). Apart from the MilkFlex product in Ireland (see Box 4.1), all others are **'on-demand'** flexible products. Many financial intermediaries (23%) offer **'bespoke'** products based on farmers' needs or specificities.

Figure 4.1: Financial products

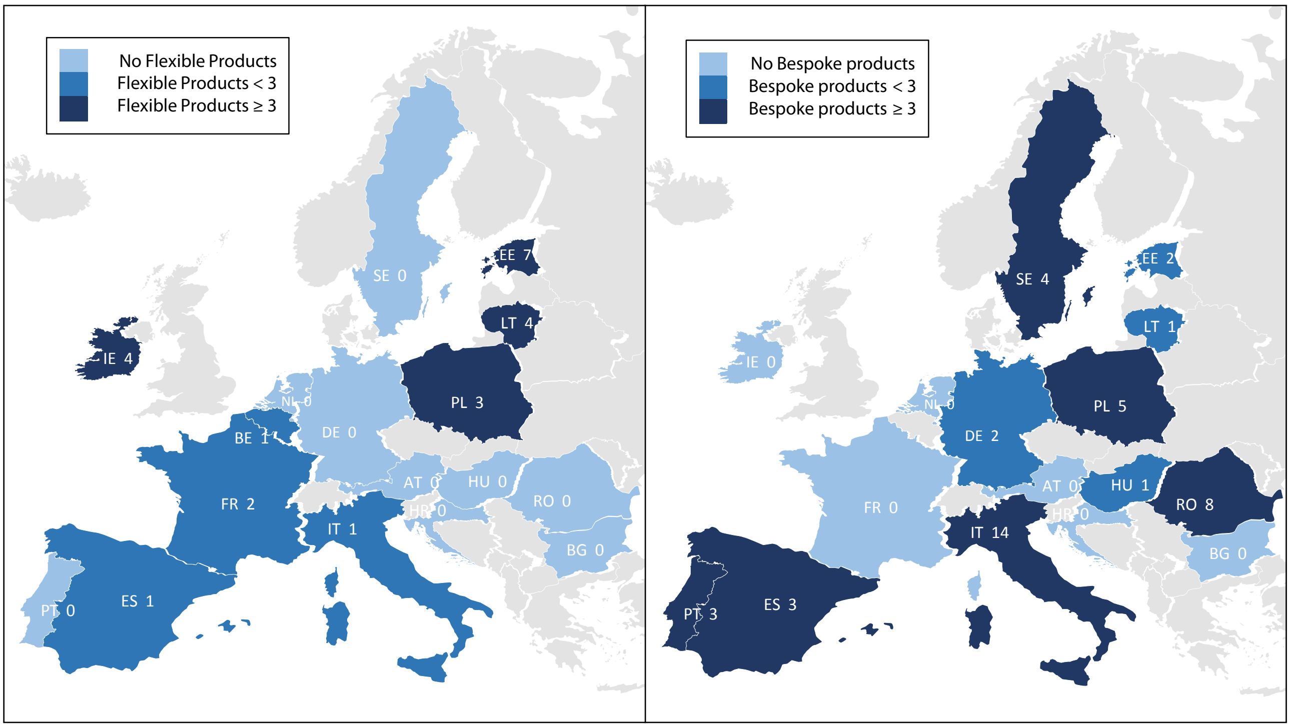


Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.6 and Q.9, and Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.1 and Q.2.

In total, 22 financial intermediaries offered **'on-demand' flexible products'** and 1 offers a **'self-adjusting' flexible product**. These intermediaries are in (Figure 4.2, left side): Belgium 1; Estonia 7; Ireland 3 plus 1 self-adjusting; Italy 1; France 2; Lithuania 4; Poland 3; Spain 1. Some (11) are analysed in detail in Chapter 5. Annex I presents the product fiches.

Bespoke products are offered by 43 financial intermediaries and are in (Figure 4.2, right side): Estonia 2; Germany 2; Hungary 1; Italy 14; Lithuania 1; Poland 5; Portugal 3; Romania 8; Spain 3; Sweden 4.

Figure 4.2: Distribution of the identified flexible and bespoke products



Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.6 and Q.9, and Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.1 and Q.2.

Box 4.1 – The MilkFlex fund in Ireland

The MilkFlex fund is an innovative financing vehicle, established to support Ireland's dairy sector. The EUR 100 million fund combines investment from the National Treasury Management Agency, Rabobank, Glanbia and Finance Ireland (the fund manager).

Agriculture plays a crucial role in the Irish economy. The dairy sector has a strong expansion potential, benefitting from a relatively low cost of production due to its mild climate and outdoor grazing (i.e. low input costs). Irish dairy farmers are not, however, immune to milk price volatility. The current market volatility presents issues, particularly for the many relatively small family farms.

The MilkFlex fund creates a direct link to the milk price and therefore a Glanbia Cooperative farmer's ability to pay the loan. It also seeks to be more competitively priced than traditional bank financing and more easily accessible. The fund has been designed by stakeholders so the rate is affordable for farmers. Importantly, the repayment schedule can better respond to milk price volatility, using inbuilt volatility triggers. These allow for a temporary reduction, suspension or acceleration of loan repayments depending on the milk price. Loans from the fund can support a range of investment activity in productive agricultural assets, including additional cows, farm infrastructure and land improvement measures.

By using the existing infrastructure of Glanbia, who also invest in the fund, MilkFlex has security from a first call on farmers' 'milk cheques' as opposed to other forms of security. Glanbia also supports the marketing efforts of the fund and through the 'milk cheque' process, collects loan repayments for the fund.

Source: fi-compass (2017), 'Potential role of market responsive EAFRD financial instruments – Feasibility study – Initial findings', factsheet, November 2016.

4.1.1 Key characteristics of the bespoke products for agriculture (Task A)

The bespoke products, as defined in this report, include financial products where the loan reimbursement schedule is determined according to the specific characteristics of the enterprises. The loan repayment dates are 'tailored' depending, for example, on the harvest time or production cycle, and instalments can vary in size depending on the client's activities. In most cases payment terms are agreed and adjusted for seasonal variations in production cycles and cash flows. Moreover, repayments and the duration of the contract or the interest rate can vary with the type of agricultural activity (e.g. livestock or arable farming).

Based on the results of the desk research, suspension of capital repayments[10] is used by 42% of financial intermediaries offering bespoke products, while some 25% can have extended maturities. Structuring instalments according to the specific cash flow characteristics of the client is used only by 12% of the financial intermediaries (in Sweden, Lithuania, Spain, and Germany).

Box 4.2 – The 'breathing account'

VR Bank eG, Niebüll in Germany offers a financial product based on an agreed break-even price (i.e. the price for a product which covers the costs of producing an expected quantity).

The product is a kind of a 'breathing account' in the form of a working capital loan. A price is calculated for the customer which should ensure enough liquidity for the company (break-even price). If the actual price is higher than the break-even price, liquidity from the current account is paid into the breathing account and reduces the charges. If the price is lower than the break-even price, the customer is provided with liquidity.

This option is more suitable for large agricultural holdings, especially those susceptible to price volatility for dairy products. The key challenge for the bank is to determine the break-even price which requires a detailed, well-founded calculation.

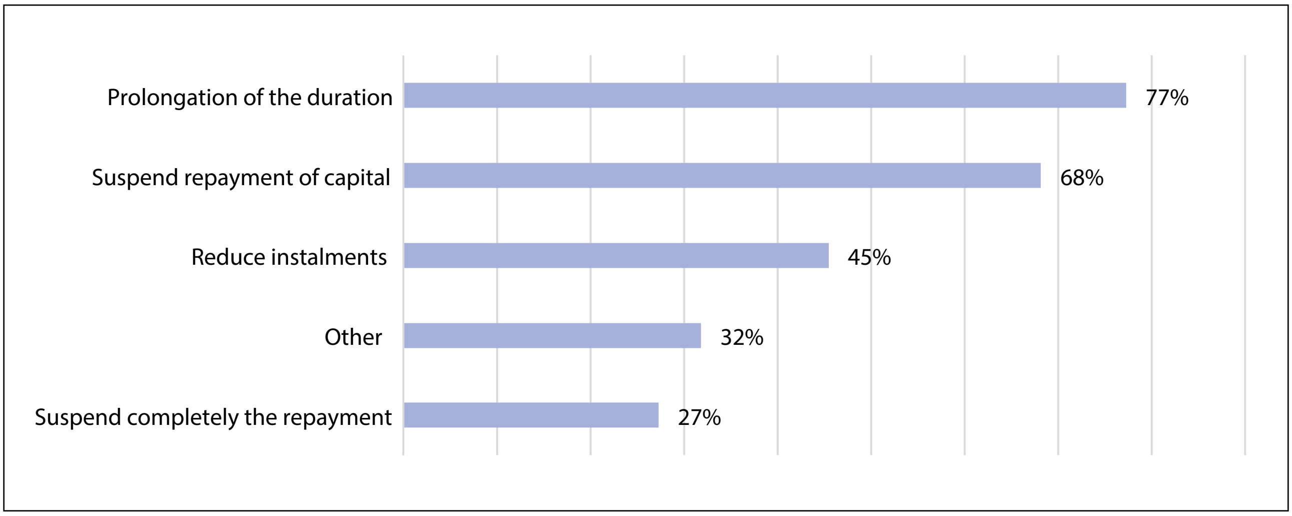
10 Interest continues to be paid.

4.1.2 Key characteristics of flexible products for agriculture (Task A)

Flexible products allow the modification of the repayment schedule according to famers' needs. The key feature is that such modification can happen during the repayment period, normally in cases when requested by the farmer (e.g. due to lower prices reducing revenues, or bad weather affecting the volume and quality of production).

Extending loan duration is the most common type of flexible arrangement, used by 77% of the financial intermediaries offering flexible products (see Figure 4.3). This is closely followed by suspension of capital repayment (68%), while about half of the interviewed banks offer reduced instalments (45%). Complete suspension of capital and interest repayments is offered by 27% of these financial intermediaries.

Figure 4.3: Characteristics of 'flexi' products



Source: Own elaboration based on desk research, Annex II, Task A, Desk Research Tool Questions, Q.6.

4.2 Key results from the interviews (Task B)

4.2.1 Financial intermediaries offering 'flexi' products (Task B.1)

Among the 15 interviewees offering 'flexi' products (see Table 2.2) most of them[11] offer such products to all types of farmers and all agricultural sub-sectors (i.e. agricultural processing enterprises, large area farming companies, individual farmers, horticultural farms, organic producers, agri-food sector, etc.). Some financial intermediaries focus on specific final beneficiaries, especially dairy farmers (as with three Irish intermediaries and one in France) or grain producers (in Estonia). In other cases, 'flexi' products are mainly offered to specific enterprise size categories. So, for example, two interviewed intermediaries in Lithuania stated that their eligible beneficiaries can be only smaller farms. A Spanish intermediary answered that the 'flexi' product is offered to farmers in general who want to carry out long-term investments.

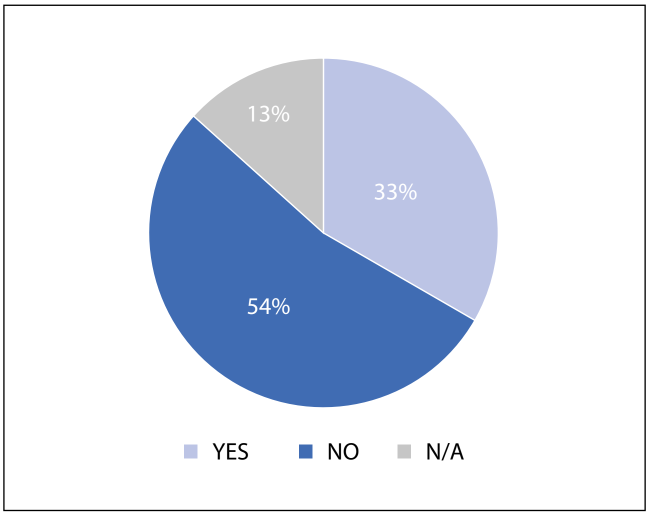
'Flexi' products are not seen as riskier by more than half the interviewees which offer them (Figure 4.4). For those saying that flexibility adds further risk, this is due to the difficulty of predicting cash flows or price fluctuations, especially for loans with long maturities. Flexibility can slightly increase the risk when repayments are only once per year, without periodic instalments that can reveal the financial health of a borrower.

11 Own elaboration based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.3.

In general, product flexibility may make it more difficult for a bank to monitor a borrower's financial condition and may delay the triggering of any recovery procedure (if this appears necessary).

Half the respondents specified that no additional collateral is requested for their 'flexi' products (the other half did not answer)[12]. The average collateral/ guarantee requested is 70%[13] with a peak of 100% for one intermediary (Lithuania). As shown in this report (Figure 3.12) more than 80% of the intermediaries use guarantees provided by credit guarantee schemes. In many cases, the marginal benefit of additional collateral might be limited and the cost for a borrower might be too high. Overall, this double-guaranteed system greatly increases security for the financial intermediary, but does not ensure a benefit for the farmer.

Figure 4.4: Perception of flexibility as riskier

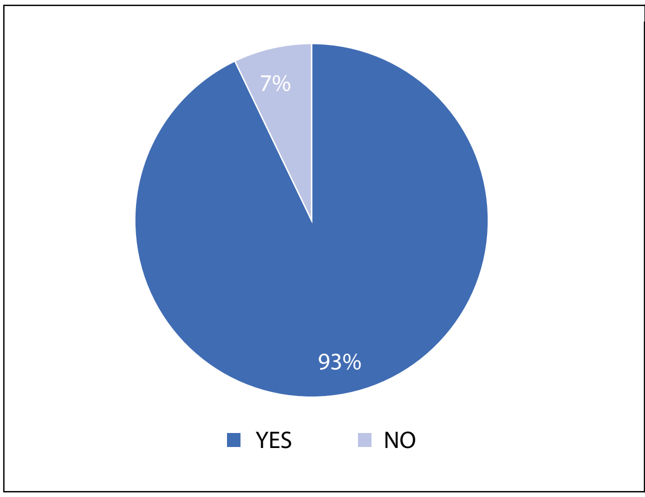


Source: Own elaboration based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.6

Despite the relatively low risk perception, some intermediaries apply an additional premium when calculating the loan price. This has not, however, been verified, since interviewees were not normally willing to share detailed pricing policy for these products. In one case, a financial intermediary stated that, although the flexible product was not considered riskier than a standard one, an additional margin of 15 basis points was applied, to reflect the additional administrative burden for such products.

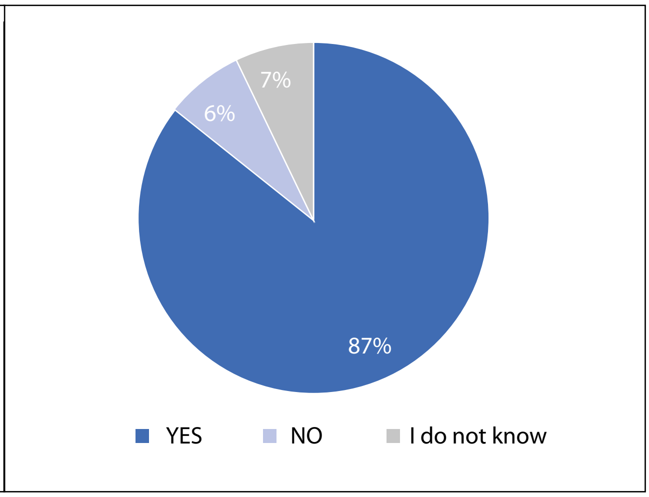
Some financial intermediaries demand additional documentation, such as cash flow information and liquidity forecasts, the annual financial report (balance sheet, profit/loss account), evidence for additional costs/investments to justify the application, or a detailed calculation of the company's break-even cost.

Figure 4.5: Perception of the need for public support to improve conditions of 'flexi' products



Source: Own elaboration based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.8

Figure 4.6: Perception that risk coverage through public resources in the form of a public guarantee instrument could result in better conditions for 'flexi' products



Source: Own elaboration based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q9.

12 Based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.6.
13 Based on Task B.4, Risk mitigation Q.3.

Intermediaries offering 'flexi' products to the agricultural sector state that public support could improve the conditions of these products (Figure 4.5). Potential products could target young trained farmers without collateral to access capital and business consulting services for farms to enable well-founded calculations.

Although the majority of the intermediaries (Figure 4.4) do not see the 'flexi' products as riskier than ones without an element of flexibility, and at least half of them would not ask for additional collateral[14], they would very much welcome a public guarantee specifically designed to support 'flexi' loan schemes. Some 87% of the respondents (Figure 4.6) **indicate that risk coverage through public resources in the form of a public guarantee instrument could result in better conditions for farmers under the schemes.** This implies that financial intermediaries are interested in instruments with specific characteristics reflecting the flexibility clauses in their loan contracts with farmers.

Qualitative answers from financial intermediaries offering 'flexi' products identified some lessons learned:

- Loan **flexibility can better match farmer characteristics.** The agriculture sector requires financial products that are focused on specific needs and demands and farmers require increased access to flexible products.
- Loan **flexibility can favour the sustainability of investments**. In agriculture, there is often a lack of long-term loan products as many aspects cannot be foreseen (such as the weather or price fluctuations). Flexible loan repayments can limit the negative effects of unpredictable events.
- Loan **flexibility may require training for farmers.** In general, farmers are not used to sophisticated financial products and therefore specialised financial training so they can better understand the functioning of a flexible product and its associated options is fundamental. Managers of agricultural SMEs should be further educated in business models to fully benefit from such flexible products. It is important to work, from the start, on educating borrowers about volatility management and risk anticipation.
- Loan **flexibility should match the sector's peculiarities.** It is highly important to understand the business strategy of each agricultural company or farmer, and their target markets (e.g. soft commodities, processed food, etc.). The cash flow volatility depends on the type of farming.
- Loan **flexibility should not be translated into more complex financial products**. The complexity of a product can lead to problems of understanding among end users, so simpler and potentially (e.g. for large farms) standardised products are preferred. Borrowers also generally prefer simpler products, which is not to be understood as products providing no flexibility for them.
- **Loan flexibility may imply specific models of risk mitigation.** Synergies with insurance products and risk models could help develop flexible products.

4.2.2 The view of financial intermediaries not offering 'flexi' products (Task B.2)

This section is based on the interviews with 30 financial intermediaries (see Table 2.2) identified under Task B.2 not offering any 'flexi' products.

As indicated by Figure 4.7, **perception of the need for these types of products is positive, with 60%, seeing a need for 'flexi' products in the agricultural sector** and 73% of respondents interested in offering this type of product in future (Figure 4.8). As previously stated, interest is often related to a guarantee or partial guarantee reducing the risk for the bank, enabling the loans for, in the bank's opinion, riskier clients. That would be especially helpful with natural disasters or a significant decline in agricultural prices, and especially for small agricultural producers or young farmers who do not use or cannot get access to insurance products.

14 Based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, second part of Q.6. Answers: Yes 6.7%; No 46.7%; N/A 46.7%.

Figure 4.7: Perception of the need for 'flexi' products in the agricultural sector

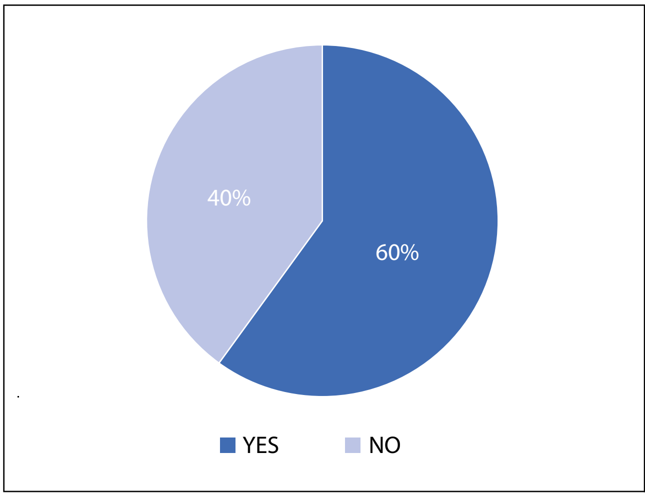
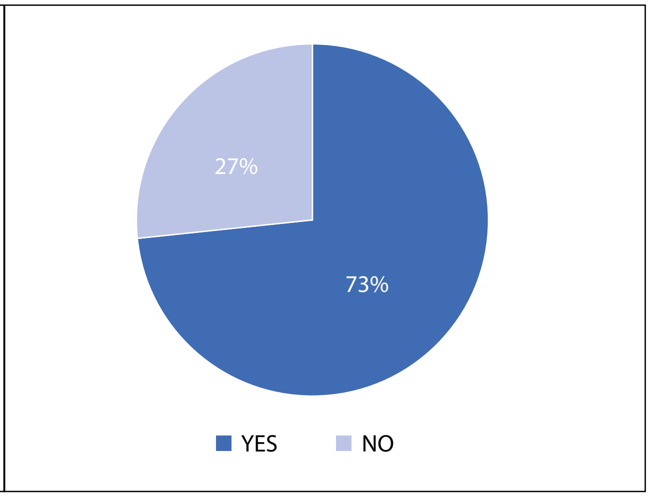


Figure 4.8: Interest of financial intermediaries in 'flexi' products for the agricultural sector



Source: Own elaboration based on Task B.2, Specific Questions, Financial intermediaries not offering 'flexi' products, Q.2 and Q.3.

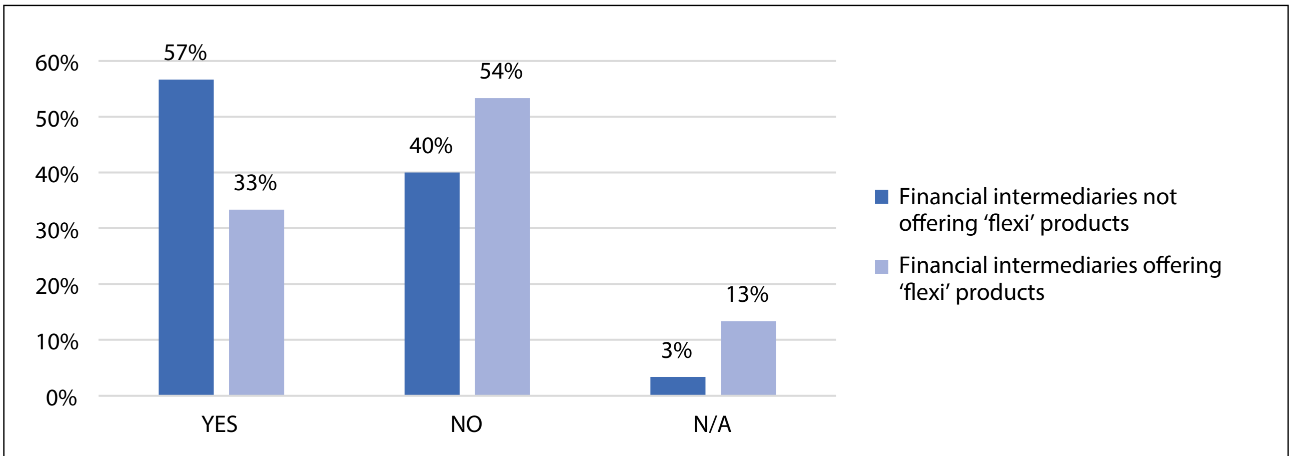
Note: the figures above are based on 15 valid answers as some intermediaries were not asked these questions during the interviews since they were originally classified, based on the desk research, as intermediaries offering flexible financial products. For this reason, they were requested to complete the questionnaire under task B.1, which did not include the two questions. During the analysis, considering the results of the interview, their products were reclassified as non-flexible according to the classification proposed in the report and the intermediaries were relocated under task B.2.

Additional suggestions from the interviews are that loan flexibility:

- should be automatic and have clear rules, indicators and definitions;
- should not be excessive to avoid opportunistic behaviour;
- should be based on clear objectives and reliable market indicators;
- should not increase financial intermediary administrative costs;
- can be useful and less costly if supported by public contributions and guarantee schemes.

A slight majority of respondents in this group (57%) believe that 'flexi' products are riskier than standard ones. This perception is much higher compared to intermediaries already offering flexible products (Figure 4.9). However, this risk does not imply a need for additional collateral[15] or at least should not be seen this way.

Figure 4.9: Perception of flexibility as riskier for financial intermediaries



Source: Own elaboration based on Task B.1, Specific Questions, Financial intermediaries offering 'flexi' products, Q.6, and Task B.2, Specific Questions, Financial intermediaries not offering 'flexi' products, Q.4.

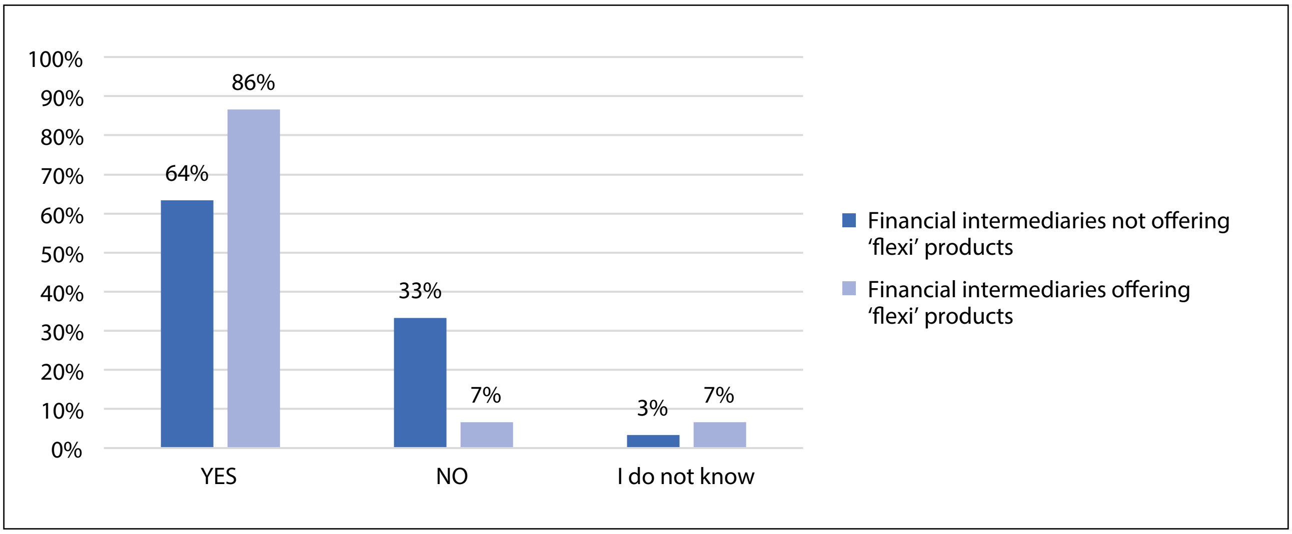
15 Based on Task B.2, Specific Questions, Financial intermediaries not offering 'flexi' products, second part of Q.4. Answers: Yes 23%; No 50%; N/A 27%.

Moreover, most of the respondents (63%) indicate that risk coverage through public resources in the form of a public guarantee instrument could result in better conditions for 'flexi' products. It is interesting that more intermediaries already offering the products consider public support through guarantees as helpful (Figure 4.10).

Further suggestions from the interviews indicate that:

- The guarantee instrument should reflect the complexity of the products, meaning the flexible clauses in the underlying loan contracts, as changes in the loan contract normally require acceptance from the guarantor.
- A (public/private) funded instrument in risk sharing, including preferential treatment for the intermediary in case of recovery procedures could prove useful. One of the arguments was that a provision matching the length of the loan and including the same elements of flexibility (e.g. the possibility to extend maturity) might be more effective than risk coverage in promoting the use of flexible products.

Figure 4.10: Perception that a public guarantee instrument could result in better conditions of 'flexi' products



Source: Own elaboration based on Task B.1, Specific Questions, Financial intermediaries with 'flexi' products, Q.9 and Task B.2, Specific Questions Financial intermediaries not offering 'flexi' products, Q.5.

Moreover, products with flexible features seem to be more attractive not only to farmers and agricultural enterprises, as adjustments and repayment flexibility can bring important benefits also to lenders. For instance, a well-designed repayment schedule saves administrative resources for the bank and the client in terms of later changes in the credit agreement. In addition, the practice shows that flexibility reduces the number of defaults.

Existing flexible financial schemes in agriculture are described as 'very successful' with three main benefits:

1. They enable a schedule that is convenient for the farmer, taking into account specifics of the agricultural activity.
2. They help adjust cash flow when unexpected changes happen, such as delays in VAT returns, or when planned changes occur, such as reallocating resources for new business opportunities.
3. The flexibility has a positive psychological effect and makes the borrower feel more confident about the investment.

Furthermore, the availability of flexible banking products and resources is especially important when price volatility is very high (in particular, flexible loan schemes for dairy and pig enterprises), as well as for investments that can pose a significant financial burden on the borrower.

Finally, regional variations in weather conditions, as well as in the type and nature of agricultural activities can play an important role in the demand for flexible financial products in Member States or regions. For example, unfavourable weather affects Ireland with its pasture-based system much more than other EU countries which are less pasture dependent. This reinforces the need for flexible loan schemes.

5. FOCUS ON FLEXIBLE PRODUCTS (TASK C)

This chapter summarises the key features of the 11 'flexi' products analysed in detail in Annex I. These products have been selected out of the 23 identified in the previous analysis due to the information available through desk research and additional details from interviews with the financial intermediaries. Annex I will then present, for each product, the mechanism, key results, the main lessons learned and challenges.

5.1 Key aspects of the 'flexi' products

In total 11 on-demand 'flexi' products were analysed from 8 different Member States [Estonia (2), Lithuania (1), Ireland (3), France (1), Belgium (1), Poland (1), Spain (1) and Italy (1)]. The information in this chapter is based on desk research (Task A), interviews under Task B.1, and more focused interviews with some financial intermediaries (Table 5.1). The only exceptions concern the loan product provided by KBC Bank (Belgium), based only on an interview under Task B.1, and the products provided by the Rural Development Foundation (Estonia) and Credit Agricole (Italy), based only on desk research.

Table 5.1: List of product fiches

Country	Financial intermediary	Financial product	Information source	
			Desk research (Task A)	Interview (Task B.1)
Estonia	Swedbank	Spring sowing loan	√	√
Estonia	Rural Development Foundation	Loan through credit institution	√	-
Lithuania	Šiaulių bankas AB	Credit for purchase of agricultural land	√	√
Ireland	Ulster Bank	Dairy Farm Expansion Loan Scheme	√	√
Ireland	Allied Irish Bank	Dairygold Cooperative Loan Scheme	√	√
Ireland	Bank of Ireland	Dairyflex and Agriflex	√	√
France	Crédit Mutuel	Modul'Agri	√	√
Belgium	KBC Bank	KBC Agroflex Credit	-	√
Poland	GBS Bank	Union Business Loan	√	√
Spain	Caixabank	Agroinversiòn	√	√
Italy	Credit Agricole	Finanziamento Scelgo Io Agricoltura	√	-

5.1.1 Types of products and investment target

The 'flexi' products differ in terms of type, product characteristics and investment target (Table 5.2). Most (5) are medium term loans, followed by long term loans (3). There are mixed solutions, with medium and long-term loans (4) and short term and long-term loans (1). There is only one product for short term working capital investment. In terms of characteristics, there is a wide variety of products. Loan amounts vary from a maximum of EUR 10 000 for the *Spring sowing loan* in Estonia to up to EUR 5 million for the *Dairygold Cooperative Loan Scheme* in Ireland. The repayment period ranges between 60 months for the *Finanziamento Scelgo lo Agricoltura* in Italy to up to 25 years for the *Loan through credit institution* in Estonia.

Most target farmers in general without distinguishing size or specialisation (Lithuania, France, Belgium, Poland, Spain and Italy). In other cases, products are targeted to specific sub-sectors, such as dairy farmers (Ireland), wine-growers (France), agri-food producers (Italy), or arable producers (Estonia). Moreover, beneficiaries can be individuals or enterprises; in some cases (in France and Ireland) beneficiaries can also be members of cooperatives or farmers associations.

Specific investments in working capital are foreseen in Estonia for production inputs. Land purchase is possible in most cases, while upgrades of immovable assets or construction is foreseen only in France. In Ireland and Poland, the agricultural financial products can also be used to start a new activity.

Table 5.2: Key products and investment targets

Financial product	Type of product	Product key characteristics	Target	Investment objective
Spring sowing loan, Swedbank (Estonia)	Short term loan	• Up to EUR 10 000 • Average loan: EUR 250-300/ha • Interest rate: 2%-6% per annum	• Farmers, especially arable producers	• Working capital for sowing and other (field)work and for buying inputs (seed, fertilisers, plant protection products, etc.)
Loan through credit institution (Estonia)	Short term loan/Long term loan	• Up to 25 years • Maximum EUR 1.5 million • The minimum is the interest rate fixed by the Bank of Estonia (based on the European Central Bank's main refinancing operations), plus 0.5%. A bank may add a risk margin of up to 5%	• SMEs in rural areas, as well as self-employed persons and non-profit sector	• Development of the economic activity

Financial product	Type of product	Product key characteristics	Target	Investment objective
Credit for purchase of agricultural land, Šiaulių bankas AB (Lithuania)	Long term loan	• Up to 15 years to purchase agricultural land • Up to 70 % of the market value of the land, with additional collateral the credit may be up to 100 % of the value	• All agricultural entities	• Purchase of agricultural land
Dairy Farm Expansion Loan Scheme, Ulster Bank (Ireland)	Medium and long-term loan	• Up to EUR 2 million with a fixed or variable interest rate • Up to 20 years (land purchase), 15 years (farm buildings), or 5 years (infrastructure and machinery) • Rates range from 3.5% to 7%	• Dairy farmers	• Expansion of current dairy farm or starting a new dairy farm requiring substantial investment
Dairygold Cooperative Loan Scheme, Allied Irish Bank (Ireland)	Medium term loan	• Up to EUR 5 million • Up to 10 years • 4.5% per annum	• Dairy farmers (Dairygold cooperative members)	• Investments (excluding land purchase, working capital and purchase of animals)
Dairyflex and Agriflex, Bank of Ireland (Ireland)	Medium and long-term loan	• Up to EUR 500 000 • Up to 20 years (for land purchase) • 4.1% per annum	• Dairy farmers (Dairygold cooperative members)	• Land purchase, capital expenditure including farm development (facilities and machinery), new bulk tank and milk cooling equipment and livestock purchases
Modul'Agri, Crédit Mutuel (France)	Medium term loan	• The minimum loan is EUR 8 000 for up to 100% of the investment cost • Up to 15 years	• Farmers (especially wine-growers), individuals or farmer association members	• Building construction, building upgrades of immovable assets, or buying agricultural or wine material
KBC Agroflex Credit, KBC Bank (Belgium)	Long term loan	• Up to 20 years	• Only for farmers, but in every agricultural sector and any size/ volume of activity	• Investments
Union Business Loan, GBS Bank (Poland)	Long term loan	• The minimum loan is EUR 4 800 (PLN 20 000) • Up to 10 years	• Individual farmers and businesses (agricultural, but also other sectors)	• New business or enlarging existing fixed assets

Financial product	Type of product	Product key characteristics	Target	Investment objective
Agroinversiòn, Caixabank (Spain)	Medium and long-term loan	• Up to 8 years with personal guarantee; up to 15 years with mortgage guarantee	• Farmers	• Modernisation and long-term investment related to farmland
Finanziamento Scelgo Io Agricoltura, Credit Agricole (Italy)	Medium and long-term loan	• Up to 60 months • Up to EUR 300 000	• Individuals who engage in entrepreneurial, commercial or craft activities and companies (sole proprietorships, partnerships and corporations) operating in the agri-food sector that carry out agricultural, livestock and other related activities	• For investment and liquidity

5.1.2 Key characteristics of flexibility

All the 'flexi' loan products in this chapter, with the exception of the one in Belgium, have flexible repayment options, in most cases scheduled around production seasonality and/or sales. Repayment suspension or duration extension are prevalent.

Seasonality of production and sales as well as price fluctuations that affect cash flows are the most common reasons justifying the need for flexibility. In Lithuania, farmers can request payment rescheduling also due to modifications of investment plans, or delays in CAP direct payments or VAT repayments.

The activation of flexibility should normally be justified by the beneficiary. In Estonia and Spain this can be done without particular documentation, while in Lithuania the agricultural entity has to provide supporting documents (varying in each case), such as financial reports, bank account statements, notes on CAP direct payments and documents from insurance companies.

Table 5.3: Key flexibility characteristics

Financial product	Type of flexibility	Rationale	Activation
Spring sowing loan, Swedbank (Estonia)	• Repayment is scheduled based on product sales and receipt of CAP payments, usually in November - March of the next year • Suspension of repayment for up to 3 months	• Seasonality of sales (prediction of yields and sales price) • Flexibility stabilises cash flow for the farm especially during a crisis period[16]	Suspension of repayment is agreed individually. The reason should be explained and justified (e.g. later receipt of CAP payments, low grain prices and thus lower profitability). Communication with the bank is as simple as possible for the farmer, e.g. one e-mail is sufficient to apply for repayment suspension for up to three consecutive months.
Loan through credit institution (Estonia)	• Suspension of capital repayment • Extension of the credit • Changing instalment date	• Temporary difficulties caused by bad weather conditions, large price drop, animal diseases or similar reasons	Communication with the bank is simple (via e-mail or internet bank) and applicant explains the need for changes (e.g. suspension of capital repayment, contract extension, changing the instalment date).
Credit for purchase of agricultural land, Šiaulių bankas AB (Lithuania)	• Extension of the credit • Seasonal repayment schedule • Suspension of repayment	• Changes in cash flow • Modification of investment plans • Delayed CAP payments • Delays in VAT refunds • Price volatility of agricultural products	Borrower requests with supporting documents (depending on each case), such as financial reports, bank account statements, notes on CAP direct payments, documents from insurance companies, etc.
Dairy Farm Expansion Loan Scheme, Ulster Bank (Ireland)	• Repayments in high milk sales months • Interest only options for up to 24 months	• The extreme seasonal milk production pattern in Ireland • The cyclical milk price variation	The farmer can choose to activate the flexibility at any time.
Dairygold Cooperative Loan Scheme, Allied Irish Bank (Ireland)	• Flexible repayment arrangements in line with the seasonal pattern of milk production • Repayment holiday • Lower interest rate	• The extreme seasonal milk production pattern in Ireland • The cyclical milk price variation	The farmer can choose to activate the flexibility at any time.

16 For example, during the crisis in milk and pig sectors in 2016, about 30% of one Swedish bank's clients used flexible agriculture products, suspending repayment or extending the contract.

Financial product	**Type of flexibility**	**Rationale**	**Activation**
Dairyflex and Agriflex, Bank of Ireland (Ireland)	• Flexible repayment arrangements in line with milk production • Repayments can be accelerated • Lower interest rate • The term of the loan can be also extended	• Price volatility	Repayment flexibility can be activated at any time. Individual circumstances are evaluated before any agreement on changes to repayments. A borrower must have a milk supply agreement with Dairygold for the full term of the loan and give written consent to the Bank of Ireland authorising Dairygold to deduct loan repayments from the milk payments (any stage during the loan).
Modul'Agri, Crédit Mutuel (France)	• Modulation of instalment dates	• To limit the difficulties of forecasting the quantities harvested, prices and opportunities	The borrower makes a written demand to his Credit Mutuel local agency.
KBC Agroflex Credit, KBC Bank (Belgium)	• Suspension of capital repayment 3 times • Possible grace period for the first repayment	• Temporary financial difficulties caused by diseases, pests, storms, prolonged drought, collapsing prices and similar setbacks	N/A
Union Business Loan, GBS Bank (Poland)	• Flexible loan duration (e.g. prolongation, early repayment) • Flexible repayment schedule • Flexible repayment frequency (e.g. monthly, quarterly) • Grace period	• Adjusting repayments to seasonal income • Price volatility	Less formal approach to documentation (i.e. open to cooperation to enhance business plan quality, compiling documents, possession of some documents, etc.) in favour of building a relationship with the client; adjusting the required documentation to requirements from other institutions.
Agroinversiòn, Caixabank (Spain)	• Flexible repayment schedule • Suspension of capital repayments	• Long-term investment uncertainty	If the farmer wants interest only instalments during the loan they just need to request at their local Caixabank branch. It is automatically accepted and the repayment schedule is recalculated. The duration does not lengthen.

Financial product	Type of flexibility	Rationale	Activation
Finanziamento Scelgo Io Agricoltura, Credit Agricole (Italy)	• Possibility to extend the loan for up to 36 months based on two flexibility options • Possibility of extinguishing the loan in a single solution • Interest rate can be fixed or variable, depending on the client's choice	• Production cycle, environmental, climatic and seasonal factors	N/A

6. CONCLUSIONS

Based on the information collected, interviews carried out and products analysed, the following observations and policy recommendations can be made.

Structure of the financial market for agriculture

In each of the countries analysed, several financial intermediaries have an important share of their lending activity dedicated to agricultural enterprises. According to these intermediaries, the **demand for agricultural finance has been growing in recent years and is expected to keep growing** in the near future.

Although the findings of this study cannot be conclusive, in some countries lending to agriculture seems to be concentrated in a very limited number of intermediaries. There is a risk of oligopolistic behaviour and consequent disadvantages for agricultural enterprises compared to other SMEs. This is probably due to historical reasons, with specialised 'agricultural financial intermediaries' operating for many decades in some countries and **financial intermediaries in the sector needing specific knowledge**. A **lack of knowledge might prevent** other financial **intermediaries from investing in a sector** which, according to the more involved operators, has a risk profile which is apparently better than for SMEs generally.

The presence and interest of specialised intermediaries, with their favourable perception of the sector, does not necessarily imply that agricultural enterprises have easy access to finance. The risk profile is compared to SMEs generally, which are widely thought to have less access to finance compared to large enterprises. In addition, the willingness of intermediaries to provide finance to the sector may not completely satisfy demand for finance from agricultural enterprises. A **financing gap assessment[17] would give more precise indications on the need** and use of **flexible financial products**.

Characteristics of flexible products currently available and interest from financial intermediaries

Financial intermediaries see the **need for flexibility in financial products for agricultural enterprises**, justified by the specific characteristics of agricultural production. This has already resulted in products with some flexibility. Many **financial intermediaries also offer bespoke financial products**, so the diverse specificities of the sector and farmers' needs are already taken into account. Although only a few flexible products have been found, they show that these can be offered to farmers through existing financial intermediaries. In addition, interviews with **financial intermediaries** not currently offering flexible products, show that most **are interested in offering them**.

Current products are normally simple and have an option for the borrower to ask for modification of the repayment schedule. According to financial intermediaries, complex products can lead to misunderstandings by borrowers, which is why **borrowers prefer simple or standardised products**.

The level of flexibility varies, from products where a complete suspension of instalments is possible for a limited period (e.g. 12 months) to ones where only the repayment of principle can be suspended. In addition, while a few products allow for an extension of maturity, many just spread the unpaid amount over the remaining instalments. This implies a bigger impact on enterprise cash flow once the grace period ends.

Another important aspect is linked to the **discretionary power of the bank in allowing activation of the flexibility clauses**. A complete analysis of this aspect was not possible, since individual contracts were not available. While a few products seem to include an option for the borrower to activate the flexible clauses without any specific justification, the bank can normally ask for evidence or documentation to substantiate the request.

17 The EU gap for finance in the agricultural sector was recently estimated at EUR 7 to 19 billion (see *fi-compass* (2018), 'Financial gap in the EU agricultural sector', final draft report, February 2018.

Best practices among current products include the:

- option to suspend instalments for a limited period without specific justification;
- possibility of suspending the entire instalment;
- possibility to extend the loan duration to avoid high instalments after the suspension;
- absence of any additional fee for activation of a flexibility clause.

Existing standard short-term financing can give the necessary level of flexibility (e.g. credit lines or overdrafts). The study found that the **agricultural sector tends to prefer traditional short-term loans**, which might justify support for short-term loans that include flexible repayment mechanisms.

Possible financial instrument and added value of public support

The vast **majority of** interviewed **intermediaries see a need for public support to provide flexible products**. Notably, more financial intermediaries currently offering flexible products consider public support as useful, compared to financial intermediaries not offering such products. **Public support might be used to stimulate additional intermediaries to offer such products** and at the same time to improve the conditions on existing flexible loans.

A potential public instrument should promote flexible products which include at least the characteristics found in current best practices and listed above. The methodological tools and available information were not sufficient to justify conclusions on the concrete structure of a public instrument.

The study assessed the interest for a guarantee instrument, based on conclusions of the previous study[18]. Guarantees are considered useful, in particular by intermediaries already offering flexible products.

This might appear contradictory to the finding that 'flexi' products are not perceived as riskier, since only one third of the intermediaries offering flexible products see them as riskier and because no additional collateral is normally requested for such products. This might be explained by financial intermediaries needing guarantee instruments embedding specific characteristics that reflect flexibility mechanisms in the underlying loans, more than they need additional risk coverage. As shown in this report, a large majority of intermediaries use guarantees provided by Credit Guarantee Schemes and require collateral to cover a relevant proportion of the loan amount. So, the marginal benefit of requesting additional collateral might be limited and the cost for the borrower might become too high. At the same time, changes in the repayment schedule of a loan (e.g. suspension of reimbursement and prolongation of maturity) imply the need to automatically adjust the guarantee agreement accordingly. Such characteristics do not appear to be normally included in current public guarantees for the sector, and this might add to the value of a future financial instrument.

In any case, as stated above, the design of a financial instrument supporting flexible loans for the agricultural sector would require new research based on additional research tools. This could include for example a technical analysis of current guarantee agreements and their impact on the flexibility clauses of underlying loans. This analysis should enable a specific product to be designed and used for a market test with experts and qualified financial intermediaries, including through direct interviews or focus groups.

Such analysis could also cover a funded public/private risk sharing instrument. Some financial intermediaries suggested that a financial provision matching the length of the loans and including the same elements of flexibility (e.g. the possibility to extend the maturity) might be more effective than risk coverage in promoting the use of flexible products.

18 *fi-compass* (2018), 'Study into an EAFRD price volatility financial instrument', final draft report, February 2018; see also *fi-compass* (2017), 'Potential role of market responsive EAFRD financial instruments – Feasibility study – Initial findings', factsheet, November 2016.

ANNEX I – PRODUCT FICHES

A.1 Spring sowing loan, Estonia

Product name	Financial intermediary (Country)
Spring sowing loan	Swedbank, (Estonia)

Mechanism

Spring sowing loan is a short term/working capital loan product issued by Swedbank, with flexible conditions and designed for farmers, especially grain and other arable producers. It provides short term working capital for costs related to sowing and other work in the fields and for buying inputs (seed, fertilisers, plant protection products, etc.), most commonly in spring.

The loan repayment is scheduled according to sales and CAP payment receipts, usually from November to the next March. Repayment can be suspended for up to 3 months and depends on each farmer's request. The reason for suspension should be explained and justified (e.g. later receipt of CAP payments, or low grain prices). For example, farmers selling their produce in the autumn normally have to accept lower prices. Selling a few months later is normally for a higher price, the bank may accept this and adjust the repayment schedule.

This 'flex' product is designed to provide a repayment schedule adapted to the seasonality of sales. Suspending repayment can help farmers when prices are low.

Basic conditions and requirements:

- loan up to EUR 10 000 without guarantee;
- guarantee: 70% of the value of agricultural land as collateral; Rural Development Foundation guarantee accepted as additional security;
- repayment of capital usually by the calendar year end, until then only interest is paid;
- suspension of repayment for up to 3 months;
- average loan amount: EUR 250-300/ha;
- interest rate: 2%-6%.

Required documentation:

- loan application;
- the last annual report if not submitted to the Commercial Register. The balance sheet and income statement may not be older than 12 months;
- cash flow forecast, including income (sales turnover, support, etc.), expenses (inputs, wages, fuel, land rent, loans and leasing, etc.). Information on the areas to be planted, average yields in the last 5 years and current prices are used as a basis for sales forecasts and to assess potential loan size and capacity to service the loan.

Communication with the bank is as simple as possible for the farmer, e.g. one e-mail (with an explanation of the need) is sufficient to apply for a suspension of loan repayments for up to three consecutive months. Repayment can be activated any time at the farmer's request.

Key results

Swedbank has offered the 'Spring sowing loan' for more than five years. Loans total EUR 12-15 million a year. Demand for these loans increases during economic downturns and crises. During the 2016 crisis in the milk and pig sectors, about 30% of bank clients used 'flex' products with either repayment suspension or extension.

Lessons learned and key challenges
There is a clear need for working capital financing, but many farmers prefer agreements with suppliers. These provide working capital for inputs (seed, fertilisers, plant protection products etc.) and will buy the produce later at fixed prices. This avoids bureaucracy and bank requirements, though bank loans are financially more favourable (e.g. with much lower interest rates). More tailor-made products and flexibility in the repayment schedule might help access to bank finance. For both bank and farmer, yields and sales prices are difficult to predict. These are both crucial to determine the loan size as well as the drawdown and repayment schedules. Farmers need liquidity, but the cost is often too high and there are not enough buffers. Thus, cash flow is unstable because of price volatility, making businesses vulnerable during economic downturns.

A.2 Loan through credit institution, Estonia

Product name	Financial intermediary (Country)
Loan through credit institution	Rural Development Foundation (Estonia)
Mechanism	
The Estonian Rural Development Foundation (RDF) was founded by the Government of Estonia in 1993 to issue guarantees to banks for loans granted to farmers and other rural entrepreneurs. Today the main activities include: 1) issuing credit and other debt obligation guarantees (standing sureties), 2) lending (via credit and financial institutions and directly from RDF), and 3) enhancing rural life (advisory services, financial support to students, presenting awards, etc.) RDF is also an implementing body for EAFRD/EMFF financial instruments (growth and investment loans). Loans are issued to agricultural and other rural enterprises in the event of a market failure or if financial institutions are not ready to further finance the sector. Lending through credit and financial institutions (banks) is geared towards smaller institutions that may have problems obtaining finance from international financial markets because they do not have sufficiently high international ratings. The loans support agricultural producers and other enterprises in rural areas. Loans to the business and non-profit sectors are for both long-term and short-term investments. The difference to a normal bank loan is that the bank lends money allocated by the RDF for a specific borrower. The main target group of this product are borrowers interested in precisely planning expenses incurred by the loan or wishing to minimise costs for initiating or modifying the loan agreement. There are no fees for completing or amending the contract (this includes premature repayment or changing instalment dates). Also, borrowers can get longer maturity or grace periods than normally offered by the bank. Communication with the banks is simple and applicants may ask for loan contract changes (e.g. suspension of capital repayments, extension of maturity, changing the instalment date) at any time. The applicant needs to contact the bank (via e-mail or internet bank), ask for the change and explain the need. Usually, the bank will change the contract accordingly. It is also possible to agree on a grace period when the contract is signed (e.g. suspension of capital repayments for the first 6 months). Farmers and agricultural entrepreneurs use the flexibility if they experience temporary difficulties caused by bad weather, large price drops, animal diseases or similar reasons. Requests for grace periods increased significantly in 2015 during the crisis in the milk and pig sectors.	

Basic conditions and requirements

Loans are for SMEs in rural areas with less than 250 employees whose annual turnover does not exceed EUR 50 million or balance sheet does not exceed EUR 43 million, as well as self-employed people and non-profit organisations. The RDF Board may impose restrictions based on territorial, sectoral or other principles, which the foundation publishes on its website.

- loans for up to 25 years;
- maximum EUR 1.5 million;
- suspension of capital repayment for up to 5 years;
- the interest rate for credit institutions is fixed at the time of the loan. The minimum is the interest rate fixed by the Bank of Estonia (based on the European Central Bank's main refinancing operations), plus a minimum of 0.5%. A bank may add a risk margin of up to 5%;
- loan interest is fixed and is independent of the length of the loan;
- premature repayment does not incur additional costs for the borrower;
- no fees for completing or amending the contract[19];
- loans may not exceed 75% of the investment cost.

Requirements:

- Enterprises apply through a credit institution (bank).
- Enterprises apply through a credit institution (bank).
- Securities and documents usually include: loan application; the last annual report if not submitted to the Commercial Register, the balance sheet and an income statement (not older than 12 months).

Key results

For 2018, the average RDF loan portfolio via credit institutions is planned to be EUR 13.75 million. By the end of the year this should increase up to EUR 14 million, with new loans of up to EUR 3 million.

The significant increase in lending volume in 2016 (compared to 2015), was due to the difficult situation in the agricultural sector. In 2018, no significant increase in loan portfolio is expected (compared to 2017) as institutions have enough credit resources at the moment.

Lessons learned and key challenges

N/A.

19 Fees may be applied with repeated changes to the contract.

A.3 Credit for purchase of agricultural land, Lithuania[202122]

Product name	Financial intermediary (Country)
Credit for purchase of agricultural land	Šiaulių **bankas** AB (Lithuania)

Mechanism

Šiaulių bankas AB was founded in 1992. It is now the 4th largest bank in Lithuania[20] and focuses on SMEs, offering daily financial services, credit, savings accounts and individual investment solutions. The bank is a leading distributor of ESIF co-funded financial instruments for SMEs and the renovation of multi-apartments[21]. Šiaulių bankas had a 21% market share in agricultural finance in 2017[22].

Šiaulių bankas offers credit for up to 15 years to purchase agricultural land. This is a longer maturity than comparable bank products for SMEs. The loan can be for up to 70 % of the market value of the land and with additional collateral the credit may be for up to 100 % of the value. Several types of collateral can be used:

- the purchased agricultural land;
- other property;
- guarantees of the Agricultural Credit Guarantee Fund (ACGF guarantees);
- third party guarantees.

In addition to the longer maturity, agricultural entities can benefit from tailor-made repayment schedules. A grace period, where the borrower suspends repayment of principal, only paying the interest, may be applied and is usually longer than for SMEs. In addition, the bank offers the opportunity to adjust the repayment schedule to the seasonality of farming cash flows. This is very favourable for agricultural entities. For example, an arable farm may find it convenient to have lump sum annual repayments when the crops are sold.

The loan contract foresees flexible repayments, so the agricultural entity may suspend repayment of principal or reschedule repayments. The most common reasons triggering the need for flexibility are investment plans, changes in cash flow, delayed CAP direct payments and delays in VAT refunds.

Another reason for rescheduling repayments may be price volatility of agricultural products. For example, bad weather conditions could result in lower quality grains, fetching a lower price. However, production price changes affect farmers differently. For instance, when prices for raw milk decreased some farms did not require revisions of the repayment schedule as they had sufficient financial reserves to deal with the changes.

To trigger the flexible repayments, an agricultural entity has to provide a request and supporting documents to the bank. The types of supporting documents vary and may involve financial reports, bank account statements, notes on CAP direct payments, documents from insurance companies, etc.

The bank reviews the request and supporting documents to see whether the need for rescheduling is caused by objective reasons. The bank may reject a request, but most requests are accepted.

Key results

The main clients for land purchase credit are smaller farms. From a legal perspective the clients are natural persons and agricultural enterprises.

The credit allows clients to finance agricultural land purchase. The importance of banking resources is strengthened by increasing prices for agricultural land. The long maturity (15 years) makes repayments closer to the cost of renting land.

The possibility to use guarantees when there is a lack of collateral increases the number of agricultural entities eligible for agricultural land credit.

20 Šiaulių bankas AB presentation NASDAQ, June 2017.
21 Investment and Business Guarantees (INVEGA) and Housing Energy Efficiency Agency (BETA).
22 Bank of Lithuania.

Seasonally adjusted repayment schedules and repayment flexibility benefit borrowers by allowing a schedule that is convenient for the specific agricultural activity and seasonal cash flow. The possibility to modify the repayment schedule helps when unexpected changes happen, such as delays in VAT refunds, or there are planned changes, such as reallocating resources for new business opportunities. In addition, flexibility, even without realising it, makes the borrower feel more confident about the investment. Seasonal adjustment and repayment flexibility also benefits the bank. These products are more attractive for farmers. Also, well designed repayment schedules save administrative resources for the bank and the client in terms of later changes to the credit agreement. In addition, the flexibility allows farmers to manage cash flow and reduces the number of defaults.
Lessons learned and key challenges
The specifics of the agriculture sector (variable weather conditions, seasonal revenues, etc.) require seasonally adjusted repayment schedules and a flexible approach to repayments. These arrangements slightly increase the credit risk for the bank. Amortisation of credit with a seasonal repayment schedule is slower and time lags between repayments slightly increase uncertainty. However, these challenges are outweighed by the benefits. The seasonally adjusted and flexible repayment schedule is attractive for agricultural entities and the level of defaults is low.

A.4 Dairy Farm Expansion Loan Scheme, Ireland

Product name	Financial intermediary (Country)
Dairy Farm Expansion Loan Scheme	Ulster Bank (Ireland)
Mechanism	
This is a flexible medium and long-term loan scheme. The product is suitable for dairy farmers planning significant expansion of their farm or who are starting a new dairy farm requiring substantial investment. The farmer can obtain credit of up to EUR 2 million with a fixed or a variable interest rate. Security is normally required for loans of more than EUR 50 000. The bank reviews each application individually. The term of the loan varies depending on end use, ranging from five years for farm facilities and livestock to twenty years for land purchase. There is a flexible dimension to the loan with particular emphasis on matching repayments to cash flow, taking account of cyclical milk production and price fluctuations in international markets. The length of the loans is intended to match their use, with maximum terms as follows: • Land purchase; up to 20 years. • Farm buildings; up to 15 years. • Dairy herd purchase, farm infrastructure and machinery; up to 5 years. Ulster Bank's medium and longer-term rates for farmers range from 3.5% to 7%, with the higher rates for unsecured loans. Working capital loans range from 4% to 8.5%. A repayment schedule to match milk sales is available with repayments based on the extreme seasonal milk production pattern in Ireland and the cyclical milk price variations in international markets for dairy products. If milk prices fall substantially during the term of the loan, the farmer can activate flexibility (e.g. repayments during months with better cash flow). Interest only options are available for up to 24 months with the term of the option depending on the end use of the loan, as follows: • Land purchase: Loan for up to 20 years with interest only option up to 24 months. • Farm buildings: Loan for up to 15 years with interest only option up to 18 months. • Dairy herd purchase, farm infrastructure and machinery: Loan for up to 5 years with interest only option up to 6 months.	

Key results
The bank described the scheme as 'very successful' as Irish dairy farms are not generally heavily indebted. There are currently no loan arrears or defaults as Irish milk prices for 2017 have been high, enabling repayments to be made on schedule. However, arrears were an issue in 2016 when milk prices were low. The longer-term default rate is about 2%.
Lessons learned and key challenges
Farmers in Ireland need flexibility for loans, given extreme milk price variations. A tailored loan product could support start-ups by young, trained farmers who cannot provide security. Despite a positive outlook for key farming sectors in Ireland and dairying in particular, there are key challenges ahead, such as Brexit, CAP reform and price volatility, as well as issues from the Irish winter 2017/2018 fodder crisis, the requirement to further improve environmental sustainability on Irish farms and an inadequate availability of skilled farm labour.

A.5 Dairygold Cooperative Loan Scheme, Ireland

Product name	Financial intermediary (Country)
Dairygold Cooperative Loan Scheme	Allied Irish Bank – AIB (Ireland)

Mechanism

This loan scheme was supported by the Strategic Banking Corporation of Ireland (SBCI) under their scheme to provide flexible funding for Irish SMEs. It was initially designed for Dairygold cooperative members. Dairygold is one of the largest Irish dairy cooperatives accounting for close to 20% of milk purchases from Irish farmers. Unlike other AIB loans the SBCI supported product involved a number of exclusions, including land purchase, working capital and the purchase of animals.

The SBCI supported product offers loans for up to EUR 5 million with security assessed on an individual basis. The maximum term is 10 years, while other AIB loans can be for up to 20 years. The SBCI loan had a lower interest rate than normal bank loans for farmers. Flexible repayment terms linked to both seasonal milk production and fluctuating milk prices are available for both loan types. This flexibility helped farmers overcome low milk prices in 2015 and 2016. In general, interest only requests vary from almost zero in years of high milk prices to large numbers in years of low milk prices.

Conditions and Requirements:

- SBCI supported loan maximum: EUR 5 million.
- Security: Assessed case by case but typically based on the size of the loan, for example security required for larger and longer-term loans.
- Term: 2 to 10 years.
- The interest rate is 4.5% per annum.
- Other AIB loans: up to 20 years for land purchase and up to 15 years for farm development; the interest rate is 5.5% per annum.

Flexible repayment arrangements are provided in line with the seasonal pattern of milk production and the variation in milk prices. If milk prices fall to low levels during the term of the loan, the farmer can choose to activate this flexibility (e. g. repayments made during months with better cash flow). A repayment holiday may be agreed on a case by case basis. Also, repayments can be accelerated if requested by the farmer, without penalty.

Key results

N/A.

Lessons learned and key challenges
Farmers in Ireland need flexibility in relation to loans, given extreme milk price variation. Flexible loans lessen the financial effect of price variability. Also, the effect of unfavourable weather on the pasture-based system in Ireland is much more important than for other EU countries which are less pasture dependant. This reinforces the need for flexible loan schemes. The AIB interviewee suggested that more capital should be available for trained farmer start-ups with no collateral. Also, Irish banks do not use livestock as collateral. This should be reconsidered. There is a need for longer term and larger loans with less collateral. The main challenge mentioned will be the serious issues for Irish farmers due to Brexit.

A.6 Dairyflex and Agriflex, Ireland

Product name	Financial intermediary (Country)
Dairyflex and Agriflex	Bank of Ireland (Ireland)
Mechanism	
Bank of Ireland provides two flexible loan schemes, Dairyflex and Agriflex. **Dairyflex** was launched in September 2016 and initially was exclusively for Dairygold Cooperative milk suppliers. It includes both a Strategic Banking Corporation of Ireland (SBCI) supported Dairyflex loan scheme – which operated from 1 September 2016 to 31 December 2017 – and an extended Dairyflex scheme to 31 December 2018. The Dairyflex scheme available to December 2017 was SBCI supported and somewhat restricted, being available for farm development (facilities and machinery) subject to eligibility criteria. The new SBCI supported scheme to December 2018 is available for land purchase, capital expenditure including farm development, new bulk tank and milk cooling equipment and livestock purchases. Loans range from EUR 15 000 to 500 000, however options may be available outside this range as part of an ongoing business. Loans are typically unsecured for up to EUR 65 000, with security required for larger amounts. The loans are normally for 2 to 10 years, with up to 20 years for land purchase and up to 15 years for other large farm developments. The interest rate for the SBCI supported loan is 4.1% per annum, while other comparable loan is 4.5% per annum. Flexible repayment arrangements are provided in line with milk production. Interest only options can be activated on a case by case basis. Repayments can be accelerated with no penalties. For milk suppliers to Dairygold Cooperative those wanting a Dairyflex term loan must have a milk supply agreement with Dairygold for the full term of the loan facility and give written consent to Bank of Ireland authorising Dairygold to deduct loan repayments from the milk payments (which may be required at any stage during the term of the loan). In 2014 Bank of Ireland launched **Agriflex**, a long-term loan scheme, providing farmers with the flexibility to reduce monthly repayments, with interest-only repayment in times of difficulty, e.g. caused by volatility, and accelerated repayments during times of surplus cash flow. The loan term can also be extended on request. The repayment flexibility can be activated throughout the life span of a loan and individual circumstances are evaluated before there is any agreement on changes to repayments. For example: a EUR 200 000 farm loan for 12 years at a variable interest rate of 5% would have monthly repayments of EUR 1 850. If the average milk price over the peak six-month supply period falls from an expected EUR 0.34 per litre to EUR 0.26 per litre, revenue could fall by EUR 6 600. With AgriFlex, the borrower can convert monthly repayments to interest only for six months, reducing repayments from EUR 1 850 to EUR 727 per month, falling by EUR 1 123 per month or EUR 6 738 for the 6 months. This is a major benefit to the farmer at a time of greatest need. The overall long-term effect on the loan conditions as a result of the six-month interest only period is that the term of the loan is extended by 6 months and the cost of credit could increase by EUR 4 362.	

Key results
N/A.

Lessons learned and key challenges
Farmers in Ireland do not have a problem with average profitability over several years, but flexibility is very helpful in years with low milk prices. Dairy and pig enterprises are both growing in Ireland but also have the most price volatility, so flexible loan schemes are very desirable for these enterprises. Loan repayment flexibility allows for continued growth despite price volatility. In general, Irish farmers seem to need more unsecured credit. A challenge for loan providers is the lack of loan facilities for well-trained young farmers who have no collateral. It could be helpful if a state/EU agency (for example SBCI/EIB) assumed a percentage of first loss. Bank of Ireland's dedicated team of agri managers understand farming and the financial ups and downs that are part of day to day farm life. They work in conjunction with farmers, advisers and accountants when rescheduling repayments and when developing a lending support package which is sustainable for the future. The Bank's 'AgriFlex' includes interest-only repayment periods in difficult situations, and accelerated repayments in times of surplus cash flow.

A.7 Modul'Agri, France

Product name	Financial intermediary (Country)
Modul'Agri	Crédit Mutuel (France)

Mechanism
Modul'Agri is a loan with flexible deadlines. Borrowers fix the initial timetable of their loan with their Crédit Mutuel advisor. They may then modify this timetable, according to their capacity and needs. Changing the dates of payments does not incur higher interest rates. Final beneficiaries are farmers and wine-growers, individuals or in farmer associations (GAEC, EARL, SCEA)[23] who need finance for construction or upgrading buildings, or to buy agricultural or wine inputs. The minimum loan is EUR 8 000 for up to 100% of the investment cost. The initial loan duration ranges from 4 to 15 years and repayments can be annual, bi-annual, quarterly, or monthly. The interest rate can be fixed or variable and changes to payment dates do not affect the interest rate. A borrower's written request to the local Credit Mutuel agency to change payment dates is reviewed on an individual basis. For the Modul'Agri loan, the borrower can change payments, up or down, respecting the following conditions: • The first change can only be after one year of repayments. • The change cannot lengthen or shorten the initial loan duration by more than 36 months. The interval between two successive changes must be at least 12 months. Any change will start from the next payment date fixed in the timetable, with at least one month's notice. If borrowers wish to adjust their repayments, their Crédit Mutuel agency allows them to modulate their monthly payments.

Key results
N/A.

23 Groupement Agricole d'Exploitation en Commun; Exploitation Agricole à Responsabilité Limitée; Société civile d'Exploitation agricole.

Lessons learned and key challenges
For agriculture and wine-growing, it is difficult to forecast the quantities harvested, prices and opportunities which could arise. For such producers Crédit Mutuel created loans with flexible payment dates. With Modul'Agri, when cash flow is good, borrowers can accelerate their repayments and reduce the duration of their loan. On the other hand, if cash flow is worse than planned, they can reduce their monthly repayments. This original formula offers them significant flexibility to change their repayments. This possibility may differ from one regional agency to another. The ability to reschedule repayments gives borrowers a much-appreciated peace of mind and enables them to face temporary difficulties.

A.8 KBC Agroflex Credit, Belgium

Product name	Financial intermediary (Country)
KBC Agroflex Credit	KBC Bank (Belgium)
Mechanism	
KBC Agroflex Credit offers the possibility to suspend capital repayment up to three times by using three 'jokers'. The amount is spread over the existing duration of the loan. Each 'joker' allows one year's principal repayments to be spread over the remaining term of the loan, without an adjustment fee. Every 3-5 years there is a window for interest revision. Only one 'joker' for each period can be used. In principle, the duration of the loan cannot be extended, and the loan is offered only at a variable interest rate. The product is for farmers only, but for every agricultural sector or size/ volume of activity. No additional guarantee or collateral is required (but this may be linked specifically to Flanders, where farmers have substantial assets). The amount and the term of the loan depend on the nature of the investment and borrower's financial capacity. Commercial premises, for instance, have a longer economic life than agricultural machinery. Terms of up to 20 years are available. If a borrower would like to postpone the first repayment, a 'grace period' is granted. During this period, only interest is paid. If a borrower would like to change the draw-down period during the loan, this can be done for a fee. A borrower can always repay part of the loan early. However, in that case, there is a reinvestment fee. If a borrower has to make a down payment on commercial equipment or property and pay the balance later, the loan can be drawn down in tranches. Each tranche is paid based on proof of investment. When a borrower applies for the loan, they can choose monthly, quarterly, six-monthly or annual repayments. The interest rate is variable. Interest and costs are tax-deductible. Agroflex has the following flexible characteristics: • A variable interest rate. • The borrower can choose when to use a 'joker'. • Changes to the repayment schedule are free of charge. • There is a wide range of repayment option. • The loan can be drawn down in tranches, or all at once. • The loan can be combined with government support.	
Key results	
In Flanders, KBC has a market share of 50% of agricultural lending, the 'flexi' product accounts for 15%.	

Lessons learned and key challenges
The product is important in terms of marketing, since it helps farmers psychologically and does not seem to impact the default rate. On an interest revision it is possible to change the loan, including switching to a fixed interest rate and maybe even extending the loan, but this means changing to a normal loan. Public support could help to improve the conditions of this product. As noted above, there are no specific issues in terms of the availability of guarantees (at least in Flanders). The interviewee pointed out that long term funding, linked to the duration (including possible extension) of the underlying loans, might support flexible financial products better than risk coverage.

A.9 Union Business Loan, Poland

Product name	Financial intermediary (Country)
Union Business Loan	GBS Bank (Poland)

Mechanism

GBS Bank (Gospodarczy Bank Spółdzielczy) in Barlinek is a local bank with 13 branches that serves people and enterprises in the Lubuskie and Zachodniopomorskie regions of Poland. The bank is a cooperative and a member of the Polish cooperative banks' association – the BPS banking group. At the end of 2016[24], it had assets of over EUR 224 million and almost 30 000 clients from the three main market segments: individual persons, businesses and farmers[25].

The bank serves individual farmers and businesses – i.e. agricultural processing enterprises, large area farming companies and horticultural farms. At the end of 2016, clients included 1 640 individual farmers (5.5% of clients) who had borrowed over EUR 32.4 million[26], more than 21% of the bank's loan portfolio.

Flexibility mechanisms are applied to all loan products for farmers where the bank has sole responsibility and no external rules are imposed[27]. Flexibility is in the form of:

- adjusting the loan duration (e.g. prolongation, early repayment);
- adjusting the repayment schedule;
- adjusting the repayment frequency (e.g. monthly, quarterly);
- a grace period;
- documentation, with a less formal approach (i.e. cooperation to enhance business plan quality, compiling documents, possession of some documents, etc.); adjusting the required documentation to requirements from other institutions.

A significant lending product is the 'Union Business Loan' (UBL), an investment loan for individual farmers and businesses (agricultural and other sectors) that have applied for grants from EU funds for investment projects.

The product is offered to clients who have a current account at the bank, with an agricultural or business activity, regardless of the accounting records and method of accounting for income tax.

24 Data from the Bank's end-year statements of 2016.
25 At the ECB EUR/PLN exchange rate of 27.02.2018: 1 EUR = 4.1670 PLN. The amount is PLN 934.8 million.
26 The amount is PLN 135.1 million.
27 In addition to its own lending products the Bank offers preferential loans supported by funds from the governmental Agency for Restructuring and Modernisation of Agriculture (ARMA), which are governed by specific rules from ARMA.

The loan finances investment related to a new asset or enlargement of existing fixed assets, in particular:

- new and development projects: purchase of machinery, equipment and means of transport, land, a building or construction, including materials and products related to the construction or adaptation of production and business buildings as well as an increase in working capital resulting from the investment;
- modernisation and restructuring of existing assets;
- purchase of shares or stocks;
- other expenditure, including technical and economic studies as well as licenses, training, consulting services and other forms of technical assistance for the proposed investment; intangible assets, in the form of patents, licenses, know-how, unpatented technical knowledge that are part of the investment[28], as well as duties and taxes[29] related to the investment.

It is also possible to refinance capital expenditure for such investments, incurred up to 6 months before submitting the loan application.

The minimum loan is EUR 4 800 [30] and the maximum amount is determined by the client's creditworthiness, own contribution to the project financing and the project value. The minimum share of the client's own contribution is 10%, however this is not required if collateral is offered.

The loan duration is divided into the investment implementation period and the loan repayment period. The implementation period must not exceed 5 years from project commencement. The repayment period may be up to 10 years. A flexibility mechanism allows adjustment of the repayment duration at the client's request – i.e. prolongation, partial or one-time loan repayment.

A grace period of up to 2 years for repayment of capital is possible on loans of more than 5 years, and up to one year, only during the investment period, for loans of up to 5 years.

A loan repayment is made in decreasing instalments payable on a monthly or quarterly basis. Flexibility allows adjustment of the repayment duration at the client's request – i.e. prolongation, partial or early loan repayment.

Key results

By using the UBL, the client gains:

- finance for up to 100% of the underlying value, i.e. fixed or intangible asset, or financing VAT;
- up to 9 months guarantee that a loan is available;
- flexibility of loan duration, repayment schedule and frequencies, the grace period (all triggered at the client's request) and approach to document requirements.

The UBL accounts for 13.6% of the number and 14.5% of the value of investment loans granted to individual farmers[31]. Demand is correlated with the availability of EU grants to the farmers.

Lessons learned and key challenges

The UBL is an effective financial product supporting agricultural investments and bridging investments co-financed by EU grants.

It is a 'one-size' loan, answering the needs of both individual farmers and agricultural businesses as well as businesses from other sectors, including SMEs.

The flexibility mechanisms allow the product to be adjusted to agricultural client incomes, including seasonality and market price volatility. The borrower can keep solvency and liquidity, and the bank has a more secure credit portfolio.

A highly important good practice reinforcing the flexibility is the bank's approach to the client, based on building a relationship and a mutual partnership. The bank is a cooperative and local farmers are also among its shareholders.

28 Provided repayment of the loan can be secured from sources other than the financed intangible assets.
29 Excluding VAT if the customer is entitled to a VAT refund. The Bank may grant a working loan for expenses related to financing VAT.
30 The amount is PLN 20 000.
31 Agricultural, horticultural and processing companies are treated by the Bank as businesses, UBL loans granted to those entities have not been taken into account.

A.10 AgroInversiòn, Spain

Product name	Financial intermediary (Country)
AgroInversiòn	Caixabank-Agrobank (Spain)

Mechanism

The loan is designed for modernisation and long-term investment related to farmland. There are two types of product depending on the guarantee offered by the applicant:

- Up to 8 years with personal guarantee;
- Up to 15 years with mortgage guarantee.

Interest is based on the repayment schedule selected by the applicant; monthly, quarterly, semi-annually, annually, or a period they choose. Caixabank then calculates the interest rate, the payment calendar and the amount (usually 75% of the investment).

If farmers want to define a grace period (i.e. interest only instalments) during the loan contract, they ask at their local Caixabank branch. It is automatically accepted and the repayment schedule recalculated. There is no extension of duration.

This flexi-clause is not usually activated but is welcomed by applicants as an option that can be used if needed. The bank is aiming to ease occasional difficulties with specific repayments, as they consider that agri-farmers tend to pay all their debts. A grace period helps farmers to cope better with occasional cash flow problems.

Basic conditions and requirements:

- Up to 15 years with mortgage guarantee;
- Free choice in the payment schedule;
- Allows early repayment;
- Grace period of 12 or 24 months (might be longer for specific agri-products).

Key results

Caixabank has offered this product for a long time, however it gained visibility once the Agrobank brand and specific team was created within the bank. Applications for this product have grown considerably in the last 3 years. Other reasons for its popularity are the limitations of EIB intermediated loans related to agriculture.

Lessons learned and key challenges

Caixabank considers the loan suitable for many agriculture or farming investments as the financial conditions and flexibility make it interesting to many borrowers for long-term investments.

Starting from this general offer, the bank has slightly adapted it for specific targets, which is considered good practice. For example, there is a specific loan for dry fruit farming because it requires almost 3 years for plants to reach full production. Other products such as for walnut tree farming require longer grace periods that are considered too risky by Caixabank.

Changing financial regulations are a limiting factor. New regulations have reduced flexibility. For example, Caixabank eliminated the option for a borrower to request a new loan for the amount already repaid after new bank-related regulations limited such flexibility.

A.11 Finanziamento Scelgo Io Agricoltura, Italy

Product name	Financial intermediary (Country)
Finanziamento Scelgo Io Agricoltura	Crédit Agricole Cariparma (Italy)

Mechanism of the product

'Finanziamento Scelgo Io Agricoltura' is a medium and long-term loan normally lasting from 18 to 60 months for EUR 30 000 to EUR 300 000. The customer repays the loan in monthly instalments including capital and interest, at a fixed or variable rate.

It is aimed at individuals with entrepreneurial, commercial or craft activities and companies (sole proprietorships, partnerships and corporations) in the agri-food sector looking for investment and liquidity funding. It may require collateral.

After 6 months, the loan can be extended by up to 36 months based on two flexibility options:

- increasing or decreasing further instalments by up to 30% of the last instalment. The new duration cannot be shorter than 18 months or more than 24 months longer than the original duration;
- suspension of repayment can also be requested several times for a maximum of 12 months.

The flexibility options are cumulative and exercisable only if instalments have been paid on the due date and only if the customer has not been subject to adverse events, (e.g. legal mortgages, bankruptcy proceedings).

Summarising, 'Finanziamento Scelgo Io Agricoltura' has the following characteristics:

- flexibility ex-post for instalment amounts;
- flexibility ex-post for duration of the loan;
- extinguishing the loan in a single solution, without fees;
- fixed or variable interest rate, depending on the client's choice;
- option to combine the loan with government support.

Key results

N/A.

Lessons learned and key challenges

N/A.

ANNEX II – METHODOLOGICAL TOOLS USED FOR COLLECTING INFORMATION

TASK A: DESK RESEARCH TOOL QUESTIONS

Q.1. Bank name

Q.2. Short introduction (100 words max)

Q.3. Does the bank offer specific products for farmers: Yes/No

Q.4. Type of products (more than one answer possible):
- a. Short term/working capital loans (<12-24 months)
- b. Credit lines
- c. Medium-term/investment loans (2-5 years)
- d. Long-term/investment loans (>5 years)
- e. Leasing
- f. Loans to support RDP investments
- g. Advance of CAP direct payments
- h. Others. Please explain_____

Q.5. Does the bank offer products including public support:
- a. Loans at preferential rate
- b. Access to public guarantee
- c. Loans supported by EIB/EIF

Q.6. Do any of these products contain any element of flexibility in the repayment? Yes/No

Q.7. If not, does the bank offer any 'flexi product' in other sectors/segments? Yes/No

Q.8. Characteristics (multiple answers possible): Reduce instalments/Suspend repayment of capital/Suspend completely the repayment/Prolongation of the duration/other (explain….)

Q.9. Brief description (Max 200 words)

Q.10. Is the flexibility linked to any type of indicators? Yes/No

Q.11. Is the flexibility agreed upon farmers' request? Yes/No

Q.12. If Yes, is it automatically agreed or is it a discretional decision of the bank? Automatic/Discretional

TASK B.1: SPECIFIC QUESTIONS – FINANCIAL INTERMEDIARIES OFFERING 'FLEXI' PRODUCTS

Q.1. Which is the rationale behind the 'flexi product'(s) you offer? [what do you aim to achieve/avoid]

Q.2. Could you explain the functioning of the product?

Q.3. Which is in details the target (final recipients) and how is this defined and assessed? [e.g. large agricultural enterprises; enterprises producing specific agricultural product; farmers that are also processing products; etc.]

Q.4. Which are the key achieved results in the last 1-3 years? (default rate/market share)
How many farmers have been supported? Overall volume?

Q.5. Which are the key lessons learned?

Q.6. Does the flexibility imply a higher risk? Do you request additional collateral/guarantee for these types of products than for standard ones?

Q.7. What documents / proofs do you require from the farmer to trigger that product / flexibility condition?

Q.8. Do you think that public support could help you improve the conditions of these products?
Yes/No
If yes, what should be the right type of support_____

Q.9. In particular, do you think that risk coverage through public resources in the form of a public guarantee instrument could help you provide better conditions of types of products? Yes/No
If yes, please explain______

TASK B.2: SPECIFIC QUESTIONS – FINANCIAL INTERMEDIARIES WITH NO 'FLEXI' PRODUCTS

Q.1. Did your institution provide or is it currently providing a financial product for farmers with flexible repayment schedules? And/or in other sectors?

a. No
b. Yes, please elaborate_________

If yes, go to the previous block of questions

Q.2. Do you see a need in the sector for this type of products? Yes/No

Q.3. Would you be interested in offering a 'flexi product'? Yes/No
If yes, under which conditions (e.g. how public support could help you offering these types of products)? Please elaborate__________________

Q.4. Would in your view the flexibility produce a higher risk? Yes/No
If yes, would this imply the request for additional collateral than for standard products? Yes/No

Q.5. In particular, do you think that risk coverage through public resources in the form of a public guarantee instrument could help you offering these types of products? Yes/No
If yes, please explain________________

TASK B.3: GENERIC INFORMATION

ACTIVITY AND INTEREST IN THE SECTOR

Q.1. How large is the share of financing agriculture in the overall financial intermediaries' portfolio (or the one of the branch)
- a. Below 1%
- b. Between 1 and 5 %
- c. Between 6 and 10%
- d. Between 11 and 30%
- e. Between 31 and 50 %
- f. More than 50%

Q.2. In the last 3 years, has your lending volume in agriculture:
- a. Increased
- b Decreased

Q.3. Looking at the next 3 years, do you see and increase/decrease of demand for finance in the sector? Increase/Stable/Decrease
Please explain___________________

LOAN APPLICATIONS

Q.4. Which are the most important products according to farmers' needs?
- a. Short term/working capital loans (<12-24 months)
- b. Credit lines
- c. Medium-term/investment loans (2-5 years)
- d. Long-term/investment loans (>5 years)
- e. Leasing
- f. Others. Please explain_____

Q.5. What are the most important factors you consider to assess agriculture enterprises in order to provide finance? (1=low and 5=very high)

	1	2	3	4	5
a. Credit history					
b. Available collateral or other guarantees					
c. Economic viability of the enterprise (turnover/income increase in the last years)					
d. Quality of the business plan					

e. Specific risk of the sub sector (e.g. price volatility of the specific sub-sectors)					
f. Production diversification					
g. Availability of accounting records by farmers (i.e. track record of production)					
h. Availability of CAP[32] support in the form of direct payments or other forms of grant					

Q.6. Are there any specificities in your offerings to farmers as compared to other enterprises (in particular SME) as regard:

a. Specialised staff for the assessment of the loan applications
b. Longer maturity. Please indicate the maximum maturity______
c. Longer grace period. Please indicate the maximum race period_______
d. Repayment schedule set according to the seasonality of some agricultural production. Please can you give us some examples?__________

Q.7. Is the rejection rate for application in agriculture compared to other sectors? Higher/Lower/the same
Which are the main reasons for rejection?

	1	2	3	4	5
a. Lack of credit history					
b. Lack of collateral					
c. Investment risks too high					
d. Borrower risk too high					
e. Banking policy (e.g. limits on lending to farmers)					
f. Lack of economic viability					
g. Inadequate business plan					
h. Lack of accounting records					
i. Other. Please explain____________					

Q.8. Is the interest rate applied to famers compared to other SMEs: Higher/Lower/The same
a. Can you indicate the range of the interest rate for investment loans? Max/Min:---
b. Can you indicate the range of the interest rate for working capital loans? Max/Min:---

32 Common Agricultural Policy

TASK B.4: RISK MITIGATION

RISK AND GUARANTEE

Q.1. In your experience, do the agricultural enterprises have a higher default rate than other enterprises (in particular SMEs)? Yes/No
Can you indicate this rate?_________ Please elaborate___________

Q.2. Is restructuration of loans for famers compared to other enterprises (in particular SMEs) on average? Higher/Lower/The same

Q.3. Please indicate the average percentage of collateral/ guarantee requested on loan by loan basis___________

a. Is there a difference in the request for guarantee/collateral depending on availability of credit history (e.g. in case of start-up)? Yes/No
b. Is this value as compared to other enterprises (in particular SME): Higher/Lower/The same

Q.4. For what types of products in particular do you require guarantee/collateral? (1=low and 5=very high)

	1	2	3	4	5
a. Short term/working capital loans (<12-24 months)					
b. Credit lines					
c. Medium-term/investment loans (2-5 years)					
d. Long-term/investment loans (>5 years)					
e. Leasing					
If other, please indicate____________					

Q.5. Do you use credit guarantees provided by Credit Guarantee Schemes for loans in agriculture? Yes/No
If yes what types of institutions? (more than one answer)

a. Public national/regional
b. International/Multilateral (e.g. EIB Group)
c. Mutual guarantee association
d. Private (corporate) guarantee providers

Q.6. What are the advantages for farmers when supported through credit guarantee instruments

a. Reduction of requested collateral
b. Lower interest rate
c. Possibility to finance riskier projects/enterprises
d. Possibility to obtain higher amount or longer maturity

ANNEX III – LIST OF THE INTERVIEWS

Financial intermediary name	Member States	Financial intermediary description	Typology of product
KBC Bank	Belgium	Formed in 1998 after the merger of two Belgian banks (Kredietbank and CERA Bank) and a Belgian insurance company (ABB Insurance), KBC Bank has its main activity in integrated bank-insurance. It has more than 11 million customers, mainly in Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. It is present, to a limited extent, in other countries and has about 1500 bank branches.	On-demand
Eurobank Bulgaria AD	Bulgaria	Eurobank Bulgaria AD, operating under the Postbank brand, is a Bulgarian universal commercial bank, offering products to individuals and companies. The bank was registered in 1991 and is currently owned by ERB New Europe Holding BV, Netherlands (44%), Eurobank Ergasias SA, Greece (47%) and others 9%. The Bulgarian National Bank ranked it fourth in the country in terms of total assets as of 30 September 2017. In September 2016, Eurobank Bulgaria AD signed an agreement with the National Guarantee Fund (NGF) under the second Guarantee Programme for farmers, with financial support from the Ministry of Agriculture and Foods. By the end of 2016 the bank reported 25% growth in loans to the agricultural sector.	Standard
Piraeus Bank Bulgaria	Bulgaria	Piraeus Bank Bulgaria AD is a Bulgarian universal commercial bank. The bank is also active in financial transactions, investment banking, money market trading, strategic investing and risk management. Piraeus Bank AD - Sofia Branch was established as the Bulgarian branch of the Greek Piraeus Bank S.A. in 1993. In 2006 Piraeus Bank AD - Sofia Branch merged into Piraeus Eurobank AD (formerly owned by a Slovak investment company and acquired by Piraeus Bank S.A.) and renamed Piraeus Bank Bulgaria AD.	Standard
United Bulgarian Bank AD / Cibank	Bulgaria	United Bulgarian Bank AD is a Bulgarian universal commercial bank. It ranked 5th in the country in terms of total assets as of 31 September 2017, according to the Bulgarian National Bank (BNB). United Bulgarian Bank (UBB) AD was established through the merger of 22 local commercial banks in 1992. In June 2017 - KBC Group acquired a 99.9% stake in the bank. In October 2017 - CIBANK EAD, another Bulgarian commercial bank, wholly owned by KBC Bank N.V., Belgium merged into United Bulgarian Bank AD. Both companies - CIBANK and UBB currently continue to operate separately. Following the merger of CIBANK and UBB at the beginning of 2018 both banks offer uniform services and products to clients under a common name - UBB, bearing the trademark of KBC Group.	Standard

Hrvatska Banka za Obnovu i Razvitak (HBOR)	Croatia	Croatian Bank for Reconstruction and Development (HBOR) was established on 12 June 1992 as the Croatian Credit Bank for Reconstruction (Hrvatska kreditna banka za obnovu - HKBO). In December 1995, the Bank was renamed Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development). The main activities of HBOR are: financing the reconstruction and development of Croatia, financing infrastructure, promoting exports, supporting the development of SMEs, promoting environmental protection, insuring the exports of Croatian goods, and services from non-marketable risks.	Standard
KentBank d. d.	Croatia	KentBank is a modern, universal bank focused on retail, corporate and SME operations, with 15 branches throughout Croatia. The Bank has assets worth HRK 2 billion with a high capital adequacy ratio, 200 employees and around 20.000 customers. For the first half of 2016, KentBank was confirmed as the fastest growing bank in Croatia. A major advantage is fast and flexible service along with a complete focus on customer needs, offering tailor-made products and services.	Standard
Danske Bank A/S Estonia branch	Estonia	Danske Bank AS Estonia branch has about 7% of the market share in Estonia (by asset value) and provides a wide range of financial services as loans, leasing, guarantees and investments. Since 2016, the bank has concentrated on business clients.	Bespoke
Luminor Bank AS	Estonia	Luminor is the 3rd largest financial services provider In Estonia (about 18% market share by asset value) and was established by combining the operations of Nordea Bank and DNB Bank in 2016. A wide variety of financial products for private and business customers include loans, leasing, guarantees and pension funds. For loans, it is possible to apply for an additional guarantee from the Rural Development Foundation (RDF), or through the state-established fund KredEx.	On-demand
Swedbank AS	Estonia	Swedbank is the largest bank in Estonia with more than 800 000 private and 139 000 business customers, offering a wide variety of financial services to private and business customers, including loans, mortgages, insurance, pensions, investments, leasing and factoring. Swedbank is one of the EIF intermediaries in Estonia (COSME). Swedbank offers financial products to all types of customers, some of them are targeted to farmers with special conditions. (e.g. an investment loan for buying agricultural land has a longer contract duration than for a standard investment loan). For guarantees, Swedbank also accepts RDF, EIF and state established fund KredEx guarantees.	On-demand
Nordea Bank	Finland	Nordea bank is a full-service universal bank with an operating income of EUR 9.5 billion and assets of EUR 581.6 billion in 2017. It is the third largest corporation in the Nordic region and one of the top 10 financial services companies in Europe based on market capitalisation. It is present in 17 countries, including four Nordic home markets - Denmark, Finland, Norway and Sweden.	Bespoke

Banques Populaires Caisse d'Epargne	France	The bank has different networks: Banques Populaires, Caisse d'Epargne, Natixis bank, Crédit Coopératif, Crédit Maritime and Palatine Bank. The products for agricultural markets are mainly from Banques Populaires (BP) whose 12 regional banks offer multi-products independently with products and conditions which can vary from one bank to another. All the regional banks have customers in agriculture, except BP in Northern France. It reaches 70.000 farmers and is active in all types of sector, without any real segmentation.	Standard
Crédit Agricole	France	The leading agricultural bank with a market share of 75 to 80% and 27 million retail customers in France. It is an international full-service banking group with 9.3 million members and 138 000 employees.	On-demand
Crédit Mutuel Confédération Nationale du Crédit Mutuel	France	Mutual bank with two main networks: Crédit Mutuel and its subsidiary CIC (Crédit Industriel et Commercial). Crédit Mutuel is a national bank, CIC has regional coverage. They mainly operate in the West of France.	On-demand
DZ Bank	Germany	DZ BANK AG, Deutsche Zentral-Genossenschaftsbank (German Central Cooperative Bank) is majority owned by the approximately 1 000 cooperative banks in Germany. As a central bank and leading institution, it supports the operations of many independent local cooperative banks, strengthening their competitive position.	Standard
Landwirtschaftliche Rentenbank	Germany	The Landwirtschaftliche Rentenbank implements promotional measures for agriculture and rural areas in particular through financial instruments. In principle, the Bank provides loans through other banks (for example federal state promotional banks). In addition to standard promotional loans for agriculture and rural areas, the bank grants special and programme loans for specific promotional purposes and assistance measures.	Standard
NordLB	Germany	One of the leading banks for agriculture in Germany, offering products such as loans and guarantees.	Bespoke
Volks- und Raiffeisenbank Niebüll	Germany	VR Bank eG in its present form was created on January 1, 2001 from the merger of Raiffeisenbank Südtondern / Bredstedt-land eG and Volksbank eG Niebüll, both of which had their headquarters in Niebüll. VR Bank eG covers the northern part of Nordfriesland without the offshore islands Amrum, F√hr and Sylt. VR Bank eG has 12 branches, including 10 personal offices, one paying agency and two self-service offices.	Standard
Volksbank Hallerthauer	Germany	A regional bank of Volksbankgroup in Bavaria offering loans and credit lines for agriculture.	Standard
Zevener Volksbank	Germany	A regional bank of Volksbankgroup in Schleswig-Holstein with a high share of financing agriculture and offering loans and credit lines.	Bespoke

AVHGA	Hungary	The Agrarian Enterprise Credit Guarantee Foundation (AVHGA) was established as the first loan guarantee institution in Hungary in 1991 under the PHARE program. Since 1993, many banks, savings co-operatives and other financial institutions have joined the Foundation. From 2006 it has cooperated with the Foundation for financial leasing and factoring activities. AVHGA has operated as a financial enterprise since 1 January 2008. The Financial Supervisory Authority has been authorised by the Hungarian Financial Supervisory Authority since 2011 to operate as an 'equivalent financial institution'. It provides a comprehensive guarantee to micro, small and medium-sized enterprises active in agriculture or with activities related to the rural area.	Standard
K&H Bank	Hungary	K&H Group is a leading financial service provider in Hungary, offering banking and insurance solutions. Its product range includes premium banking services, investment fund management, leasing, life insurance, property and liability insurance as well as securities trading.	Standard
OTP Bank	Hungary	OTP is the largest bank in Hungary, and is important in the financial instruments market for agricultural producers.	Bespoke
UniCredit Bank	Hungary	UniCredit Bank belongs to the UniCredit Group, and it is one of the major banks in Hungary.	Standard
Allied Irish Bank	Ireland	One of the three large Irish banks that provide loans to farmers, accounting for over 40% of the total Irish farm loan market.	On-demand
Bank of Ireland	Ireland	One of the three large Irish banks that provide loans to farmers, accounting for over 40% of the total Irish farm loan market.	On-demand
Strategic Banking Corporation of Ireland	Ireland	The Strategic Banking Corporation of Ireland (SBCI) is a state-owned bank that was established in 2015, in the wake of the Irish banking crisis of the late 2000s, to provide finance for SMEs. At the time it was set up, many of Ireland's main banks were unable or unwilling to fund businesses. The Strategic Banking Corporation of Ireland does not provide loans directly to businesses themselves, but instead provides finance to the main banks at low cost, with the idea that the money is then loaned on to business. As of 2016, the bank had provided EUR 347 million for small business.	On-demand
Ulster Bank	Ireland	One of the three large Irish banks that provide loans to farmers, accounting for about 10% of the total Irish farm loan market.	On-demand

ConfidiCoop	Italy	Confidicoop Marche was founded in 1999 by the merger of Confidicoop and Coopinvest. It is a cooperative for business associations in the sector and supports SMEs. Its mission is to facilitate member company access to credit at the best market conditions, assist them in identifying their financial needs and enable access to short-term and long-term credit lines provided by affiliated banks. The Confidicoop Marche consortium is cross-sectoral, therefore and intervenes to facilitate access to bank credit for companies operating in all sectors: agriculture, industry, fishing, consumption, trade, tourism and crafts.	Standard
Monte dei Paschi di Siena	Italy	Founded in 1472, Monte dei Paschi di Siena is the oldest bank in the world still in operation. Today it is the head of one of the main Italian banking groups, with significant market shares in all business areas in which it operates. The Montepaschi Group operates throughout Italy and in the main international markets, with operations focused on traditional retail and commercial banking services and a particular vocation for families and SMEs. The Group operates through its own specialised companies, in leasing, factoring, corporate finance and investment banking.	Bespoke
UBI Banca	Italy	On 1 April 2007 UBI Banca - the Union of Italian Banks was born, from the merger of BPU - Banche Popolari Unite - and Banca Lombarda e Piemontese. This banking group is listed on the Milan Stock Exchange. This essentially domestic Group, boasts multi-regional coverage, with 1 881 branches in Italy, of which about 680 are in Lombardy and over 160 in Piedmont. It has a significant presence in the most dynamic regions of Central and Southern Italy and boasts an international presence essentially focused on customer needs.	Bespoke
Citadele bankas	Lithuania	AS Citadele bankas is a Latvian bank and financial and asset manager. The principal market for the Citadele Group is the Baltic states. Citadele banka is the parent company of a Group offering banking, financial and private capital management services in its home market and through its international presence primarily in the Nordic states. Citadele is one of two institutions created in 2010 from a state administered split of Parex Bank into viable and distressed banking assets. Ripplewood Advisors LLC together with 12 reputable investors own 75% plus one of Citadele banka's shares after its re-privatization by the Latvian government. The European Bank for Reconstruction and Development (EBRD) continues to own 25% minus one of the bank's shares.	On-demand
Luminor Bank	Lithuania	Luminor Bank AB is the third largest bank in the Baltic States, with a 16% market share of deposits and 23% of lending. It serves about 1.3 million customers. In 2017 DNB merged with Nordea Bank, becoming Luminor.	Standard
Šiaulių bankas	Lithuania	Šiaulių bankas AB was founded in 1992 and offers daily financial services, credit, savings and individual investment solutions Šiaulių bankas focus on SMEs. It is the 4th largest bank in Lithuania for loans and deposits. The Bank has 68 customer service outlets and more than 700 employees.	On-demand

Swedbank	Lithuania	Swedbank AB is a Nordic-Baltic banking group based in Stockholm. Swedbank is one of the 3 leading commercial banks in Lithuania. The bank provides a full range of banking services to many private individuals and companies. The loan portfolio of Swedbank in Lithuania was EUR 4.7 billion (mid 2017). Swedbank Lithuania operates through its subsidiaries: Swedbank lizingas UAB and Swedbank valda UAB.	On-demand
De Coöperatieve Rabobank U.A.	Netherlands	Rabobank was created in 1898 by farmers to serve as a cooperative bank to support farmer and agriculture. Today, Rabobank is a global financial leader in the agri and food sector and ranked as second in the Netherlands in terms of assets and accounts.	Standard
Triodos Bank	Netherlands	Triodos Bank was created in 1980 in the Netherlands with branches in Germany, Belgium, Spain and the UK. It finances companies with positive societal, cultural and environmental impacts and also supports microfinance in the developing world. It has been ranked as one of the most sustainable bank worldwide.	Standard
BGZ BNP Paribas	Poland	BGŻ BNP Paribas, with assets as at Q3 2017 of PLN 69 bn, is the 7th bank in Poland by asset size. It is a universal bank listed on the Warsaw Stock Exchange and offers savings and investments products as well as a wide range of loans (including mortgage and consumer) to individual clients. It is one of the largest credit card issuers in Poland and provides businesses (micro, SMEs and corporates) with solutions to fund their operations on the Polish and international markets. The bank also attracts food and agri sector companies, specialising in financing agribusiness, food economy and regional infrastructure. The bank has a comprehensive offering for its private banking clients. The products are available through multiple channels. The bank is a member of leading international banking group BNP Paribas.[33]	On-demand
GBS Bank	Poland	GBS Bank - Gospodarczy Bank Spoldzielczy [Economic Cooperative Bank] in Barlinek serves people who live and work in the Lubuskie and West Pomeranian Regions. The bank operates as a cooperative, and at end December 2015 had total capital of PLN 74.8 million. In 2016, the bank had 19 branches. The bank is a member of the SGB Bank group.[34]	On-demand
EuroBic	Portugal	This Portuguese bank serves the Portuguese market and collaborates in the development of economic relations between Portugal and Angola, relying largely on the support of Banco BIC S.A. (Angola). Thus, and within this scope, target companies and entrepreneurs export services and goods with investment strategies in Angola or are in the process of internationalisation towards this country.	Bespoke
Raiffeisen Bank Romania	Romania	A top universal bank offering a complete range of products and services for physical persons, SMEs, and large corporations through multiple channels including branches, ATM and EPOS network, phone banking, mobile banking and internet.	Bespoke

33 www.bgzbnpparibas.pl/english-info/about-us

34 www.gbsbank.pl/Historia.html

Caixabank	Spain	CaixaBank is the leading retail bank in Spain, with the largest customer base and a robust balance sheet. CaixaBank is diversifying its revenue base towards more profitable segments thanks to its commercial strength and its leadership in fee-generating services.	On-demand
Cajamar	Spain	Grupo Cooperativo Cajamar is a consolidated group of credit institutions authorised and qualified as an institutional protection system (SIP) by the Bank of Spain. It is currently made up of 20 entities. Banco de Crédito Cooperativo is the main entity and Cajamar the main brand.	Bespoke
Sabadell	Spain	Banco Sabadell is Spain's fourth largest private banking group and is comprised of banks, brands, subsidiaries and part-owned companies covering all areas of finance under a common denominator: professional performance and quality.	Bespoke
Danske Bank	Sweden	Danske Bank is a Danish bank also operating in Sweden, where it is the fifth largest bank. It has bought several regional banks and operates in different parts of Sweden. Forest and agriculture is a target market.	Standard
Landshypotek Bank	Sweden	The fundamental mission is to finance investments of farmers and foresters. It is one of Sweden's ten largest banks, with nearly EUR 6 billion lent to farming and forestry entrepreneurs. The bank is owned by its members. Profits are invested back into the agricultural and farming industry. The bank offers loans, insurance, savings, investment opportunities and payments.	Standard
Länsförsäkringar Bank	Sweden	Länsförsäkringar Bank is a Swedish banking company, wholly owned by subsidiary of Länsförsäkringar AB, which in turn is jointly owned by the 23 local Länsförsäkringar companies. The bank is today Sweden's fifth largest private bank with 378 000 customers and a market share of close to 5%. Wasa Kredit is a finance company that offers leasing and instalment financing. It is wholly owned by Länsförsäkringar Bank.	Standard
Sparbanken i Enköping	Sweden	Sparbanken i Enköping is a local savings bank that is the dominant bank in three Swedish municipalities: Enköping, Håbo and Upplands-Bro. It has many agricultural customers. The bank is independent, like other savings banks in Sweden. These cooperate with Swedbank, one of the largest banks in Sweden, and offer many of their products. Sparbanken i Enköping lending to the general public was EUR 600 million.	Standard

ANNEX IV – KEY CHARACTERISTICS OF FLEXIBLE PRODUCTS

Financial intermediary name	Member States	Typology of flexi conditions	Brief description of flexible products offered
KBC Bank	Belgium	• Suspension of capital repayment 3 times • Possibility for a grace period for the first repayment	BC Agroflex Credit offers the possibility to suspend capital repayment up to three times by using 3 'jokers'. The amount is spread over the existing duration of the loan. Each 'joker' allows spreading one year's principal repayments over the remaining term of the loan, without having to pay an adjustment fee. Every 3-5 years there is a window for interest revision. Only one 'joker' for each period can be used. In principle, the duration of the loan cannot be extended, and the loan is offered only at a variable interest rate.
Estonian Rural Development Foundation	Estonia	• Suspend repayment of capital • Prolongation of duration • No fees for establishing or changing the loan contract, no fee for premature repayment.	The 'Loan through credit institution' product is applied through commercial banks who can use money especially assigned to certain applicant (SME or non-profit organisation/foundation in rural areas). There are no contract fees, maximum duration of the loan is 25 years, for up to EUR 1.5 million. The interest rate is fixed. Suspension of capital repayment is possible for up to 5 years. There are no fees for changing the contract and no fee for premature repayment.
Swedbank AS	Estonia	• Suspend repayment of capital • Suspend capital and interest repayments • Prolongation of duration	Swedbank offers special loans related to farmer's needs. These 'spring sowing' loans financing working capital related to sowing, but prolongation of the contract is possible. An investment loan to buy land can be for up to 30 years compared to standard conditions of up to 10 years. Prolongation of the contract is possible and suspension of capital and interest repayment is usually up to 6 months. Swedbank accepts guarantees and sureties issued by the Estonian Rural Development Foundation and government-established foundation KredEx. Swedbank is also a partner of the Rural Development Foundation, implementing financial instruments (growth loans and investment loans for SMEs) and in which case suspension of capital repayment on the investment loan can be up to 5 years (standard duration of the contract is up to 15 years).

AS SEB Pank	Estonia	• Suspend repayment of capital • Prolongation of duration	SEB provides a wide variety of financial products, some are targeted to applicants in rural areas (including farmers). Investment loans or short term/working capital loans can use guarantees (surety) of the Rural Development Foundation or government-established foundation KredEx for up to 80% of the investment. For every type of product, prolongation of the contract and suspension of capital repayment is possible. SEB is also one of the partners of the Rural Development Foundation, implementing financial instruments (growth loans for SMEs and investment loans) and in which case the suspension of capital repayment on the investment loan is possible for up to 5 years (standard duration of the contract is up to 15 years).
Luminor Bank AS	Estonia	• Suspend repayment of capital • Prolongation of duration • Reducing of instalments is possible in the case of leasing.	Luminor Bank provides a wide range of financial products for business customers, including short term/working capital loans, start-up loans, investment loans and credit lines. For all the financial products, it is possible to use additional guarantees (surety) from the Rural Development Foundation or KredEx.
Bigbank AS	Estonia	• Suspend repayment of capital • Suspend completely the repayment • Prolongation of duration	For business clients, Bigbank provides credit lines and working capital loans, where it is possible to use additional guarantees provided by state-established fund KredEx and the Rural Development Foundation. Bigbank is also a partner of the Rural Development Foundation, implementing financial instruments (growth loans for SMEs and investment loans) in which case suspension of capital repayment on the investment loan is possible up to 5 years (standard duration of the contract is up to 15 years).
Coop Pank AS	Estonia	• Suspend repayment of capital	For loans provided by Coop Pank (short term/working capital loans, credit lines, investment loans, technology loans and apartment association loans) it is possible to suspend the repayment of capital or repay the loan before the end of the contract without fee with 3 months' written notice. Coop Pank is also a partner of the Rural Development Foundation, implementing financial instruments (growth loans for SMEs and investment loans) and in which case the suspension of capital repayment on the investment loan is possible up to 5 years (standard duration of the contract is up to 15 years).
Tallinn Business Bank	Estonia	• Suspend repayment of capital • Suspend completely the repayment • Prolongation of duration • Early repayment	Business loans of Tallinn Business Bank include short term/working capital loans, credit lines, investment loans and leasing. For agricultural clients there is a special 'agricultural loan'. This special working capital loan, credit line or investment loan for agricultural enterprises is related to guarantees provided by the Rural Development Foundation (if a guarantee is missing or does not fulfil the bank's requirements) or co-financing of the loan by the Rural Development Foundation. Repayment flexibility includes suspension of the repayment and prolongation of the duration of the contract, or early repayment of the loan.

Allied Irish Bank	Ireland	• A variety of flex options are possible but are reviewed on a case by case basis.	The SBCI supported loan interest rate is lower than the normal interest rate. Flexible arrangements are available up to and including a repayment holiday on a case by case basis.
Bank of Ireland	Ireland	• Reduce instalments • Suspend repayment of capital Suspend completely the repayment • Prolongation of duration	The SBCI supported loan interest rate is lower than the normal variable interest rate. Flexible arrangements are available up to and including a repayment holiday on a case by case basis.
Ulster Bank	Ireland	• Reduce instalments • Suspend repayment of capital • Suspend completely the repayment • Prolongation of duration	The SBCI supported loan interest rate is lower than the normal variable interest rate. Flexible arrangements are available up to and including a repayment holiday on a case by case basis.
Rabobank	Ireland	• Reduce instalments • Prolongation of duration	MilkFlex (Glambia)
Crédit Agricole Cariparma	Italy	• Reduce instalments • Prolongation of duration • Suspend completely the repayment	After 6 months of repayments, the 'Finanziamento Scelgo Io Agricoltura' allows extension of the contract by up to 36 months based on the following flexibility options: (i) increasing or decreasing future instalments by up to 30% of the last instalment due. The new loan term cannot be less than 18 months or more than 24 months longer than the original duration; (ii) suspension of the total repayment of the instalment that can also be requested several times for a maximum of 12 months. All SMEs in Italy in the agricultural sector can benefit from the subsidy guarantee issued by ISMEA (Institute of Services for the Agricultural Food Market) or CONFIDI.
Šiaulių bankas AB	Lithuania	• Reduce instalments • Suspend repayment of capital • Prolongation of duration	The repayment schedule can take into account the seasonality of farming, cash flows, planned subsidies and other factors. There is no complete suspension of repayment, interest has to be paid each month.
Vilnius Credit Union	Lithuania	• Reduce instalments • Suspend repayment of capital • Prolongation of duration	Suspension of capital repayment for 6 months is possible, but also other flexibilities can be applied on farmers' request. The union has a discretional decision.

Swedbank AB	Lithuania	• Reduce instalments • Suspend repayment of capital • Prolongation of duration	Must be requested by the client. Complete suspension of repayment can be possible in very rare cases.
Credit union 'My union'	Lithuania	• Reduce instalments • Suspend repayment of capital • Prolongation of duration	Various options indicated can be agreed when signing or during the implementation of the contract, if required by the client. In most cases the union agrees with the flexibility required.
Caixabank	Spain	• Hedging from exchange risk	To finance agri-exports and internationalisation, La Caixa has a wide range of credit lines, insurance and hedges both for the product manufacturing phase (pre-financing) and for deferral of payments (post-financing). The exporter does not assume exchange risk, since the loan will be cancelled by an export refund. The exporter can also buy an insurance product to ensure the exchange rate. Know in advance what the maximum costs or minimum income will be which will allow you to set the operating margin. Other insurance products let the exporter maintain the agreed price and amount and/or purchase options Finally, the farmer can minimise the impact of interest rate fluctuations, through derivatives associated with credit transactions (CAP/IRS/COLLAR).
Crédit Mutuel	France	• Reduce instalments • Suspend repayment of capital • Prolongation of duration	The Modulagri product reduces the monthly repayment but prolongs the loan maturity, or increases later repayments. Accelerated repayments are also possible. With an endorsement (avenant) it is possible to suspend the capital repayment. Without endorsement, we can reduce or increase the loan, with calculation of a new paying off schedule. It is possible to make a deadline and put it at the end of the loan.
Crédit Agricole	France	• Change repayments. Report monthly refunds at the end of the loan. Consolidation by taking all the different loans and creating a unique loan with modification of the monthly refund amount and the duration • White year	The PAP 'Ready to Manage' was created specifically for the agriculture sector. It exists also in other sectors. Precaution Savings - 'Allowances for hazard'. Specific product to manage volatility. Product with tax advantages. Interesting but small success for different reasons: 1/ amount difficulties, the maximum levels were not adapted to borrowers, 2/ penalty when not used, 3/ good for farmers who pay income tax, not for those with flat rates; 4/ not liquid, no possibilities to withdraw money in case of crisis - French farmers don't like large liquidity and prefer standard investment. This is mainly for arable farmers. It is not used much despite a low cost. It is not in the French mentality to lose; education is needed and farmers must accept the principle of random risk. Some attempt to develop products in the pork and milk sectors but this very restricted market requires investment. Crédit Agricole wishes to develop it; the product is very relevant during volatile periods.

PEKAO Bank	Poland	• Prolongation of duration • Reduce instalments	Flex: Express Loan: flexible loan repayment for up to 5 years, with the same or decreasing instalments; Leasing - flexibility in emergency situations - when more funds are needed for investments, it is possible to reduce the leasing instalment but only up to PLN 100 for the next three months without additional charges.
GBS Bank	Poland	• Suspend repayment of capital	Flex: Loan to finance the purchase of farm assets and loan for investments in farms - grace period for the repayment of capital for up to 24 months.
Bank BGŻ BNP Paribas	Poland	• Prolongation of duration • Other - adjustment of the repayment periods to the production cycle (applies to leasing)	Flex: Agro Progress - a long term investment loan for up to 30 years - adjustment of the duration to the specificity of the economic activity; Leasing - adjustment of repayment periods to the production cycle (i.e. monthly, quarterly, half-yearly).

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