



Main findings from *fi-compass* ‘Study on financial needs in the agriculture and agri-food sectors in the Czech Republic’

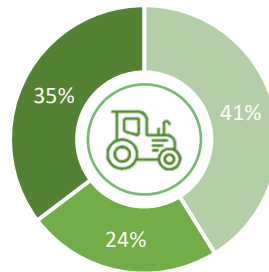
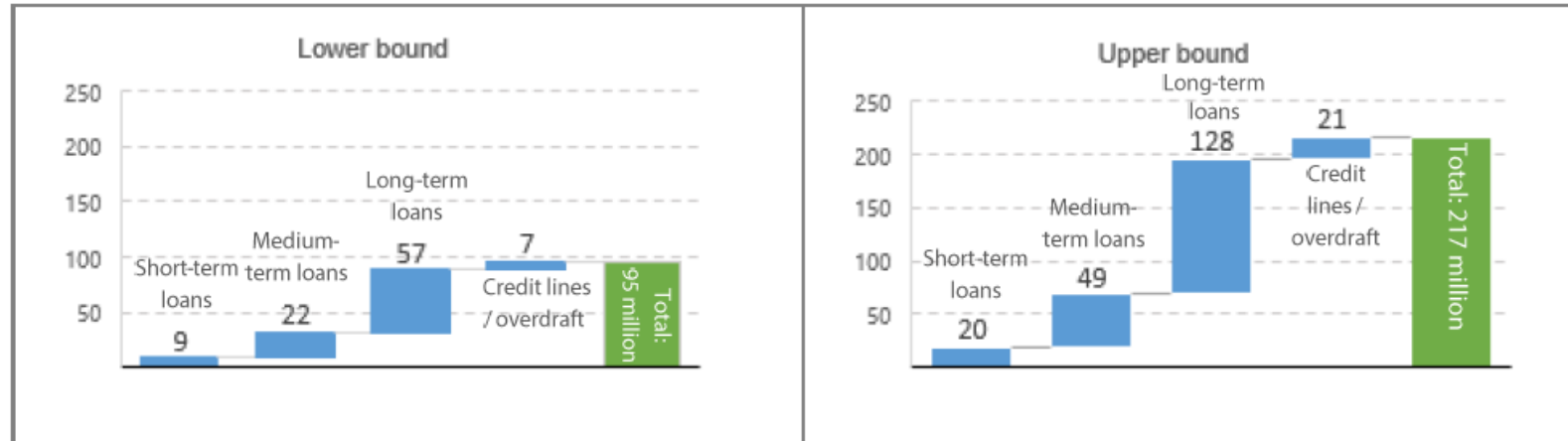
Mario Guido, Financial Instruments Advisor,
European Investment Bank



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Financing gap - Agriculture



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

Young farmers represent 17% of the gap (estimated gap of EUR 28-42 million)



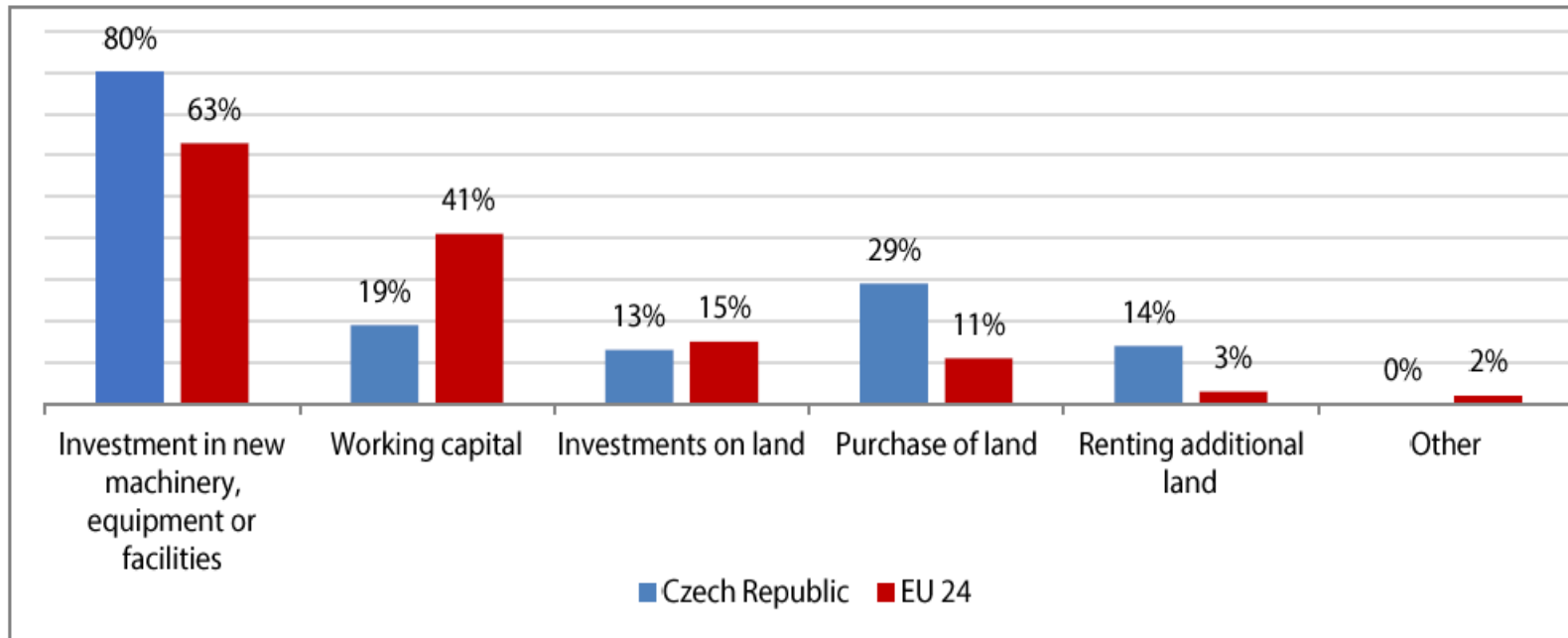
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Demand for finance - Agriculture



✓ Purpose of bank loans



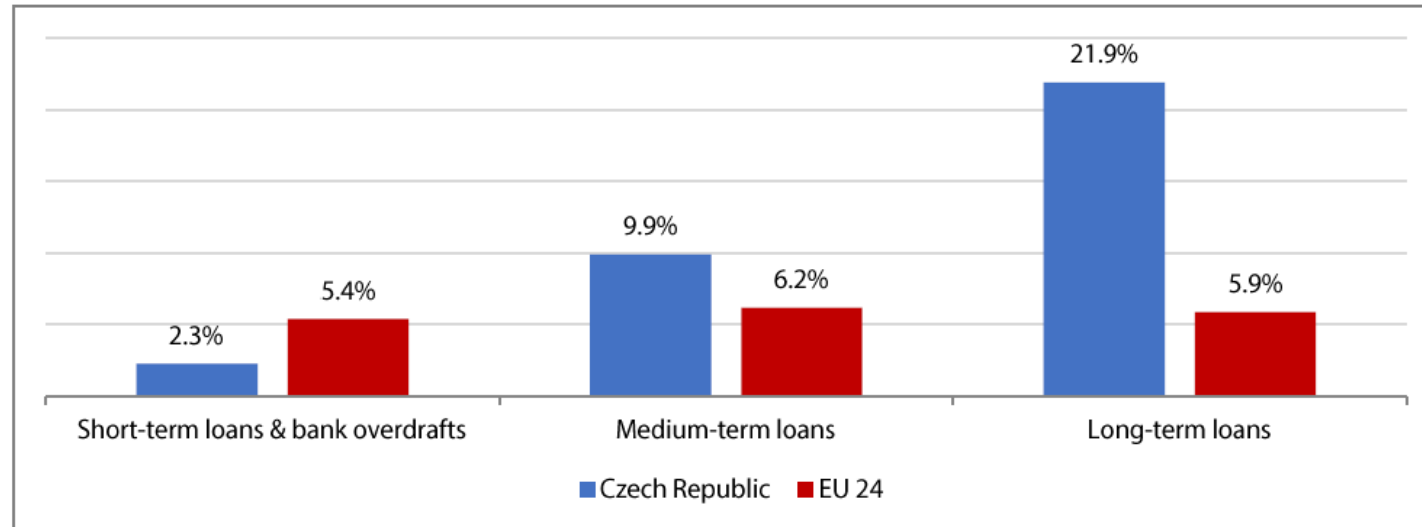
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Demand for finance - Agriculture



✓ Applications to different types of financial products



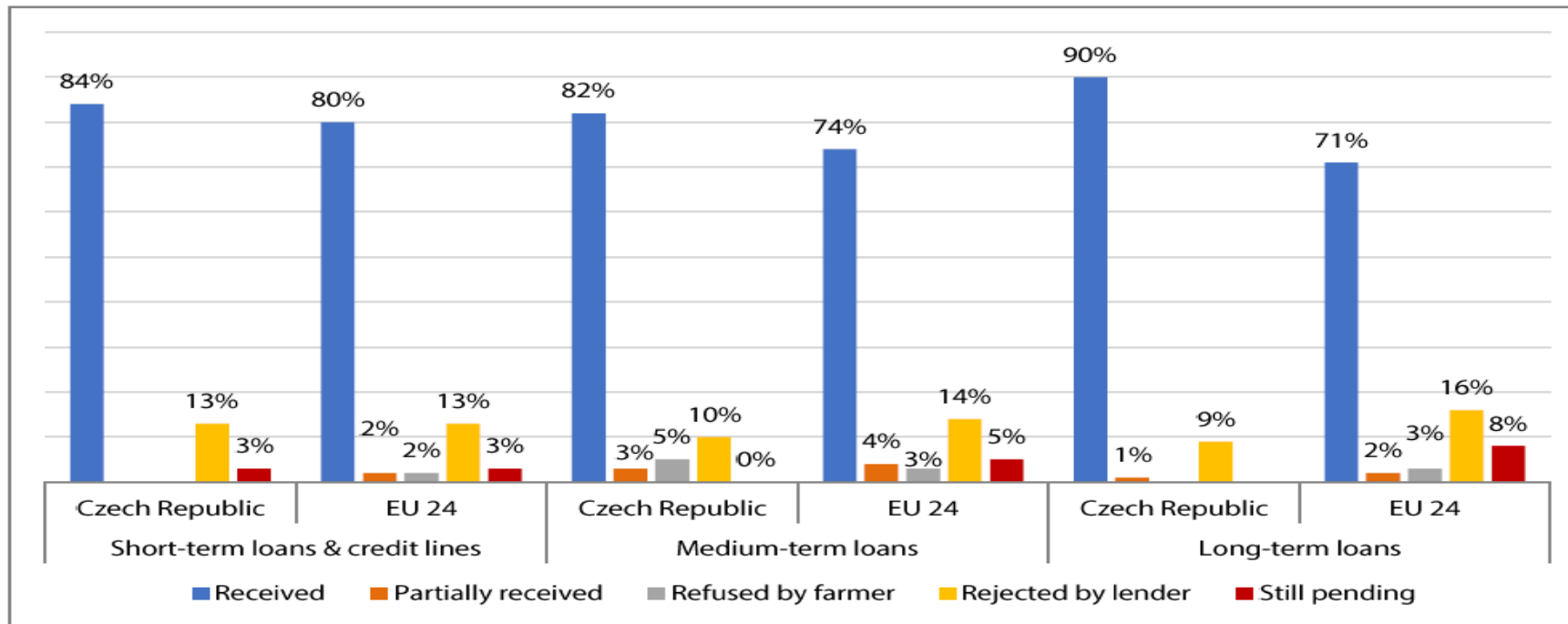
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Access to finance - Agriculture



- ✓ 7% of farms discouraged from applying for loans for fear of rejections (against 9.7% EU average)
- ✓ Rejection rates for loan applications are in line with the EU average



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Main gap drivers - Agriculture



Lack of credit history



- Young farmers and new entrants
- Lack of business history and experience

Lack of collateral



- Young farmers
- Small farms with limited assets

Lack of financial knowledge



- Some segments in the farming population might benefit from technical support

Supply side determinants



- Limits on banking policies and risk diversification
- Market concentration

Economic viability



- Small and medium-sized farms

Recommendations - Agriculture



1

A guarantee instrument open to all farmers might facilitate access to credit, in particular for small enterprises and young farmers

2

New rules under the new CAP offer the opportunity to design more targeted support package for young farmers and small-sized enterprises through support combination and possibility to finance purchase of land

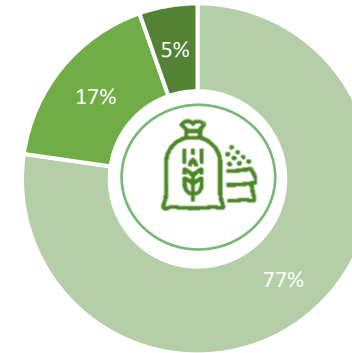
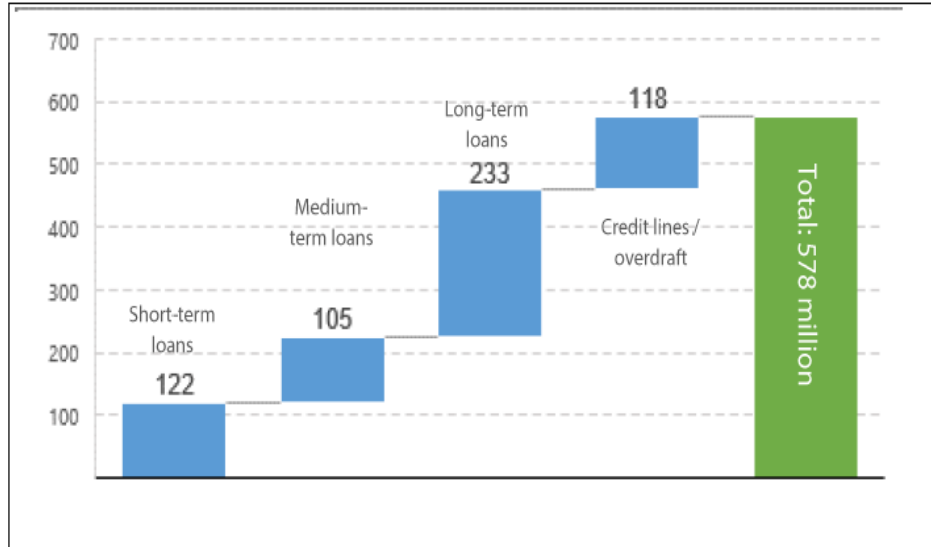
3

Small farmers and young farmers might benefit from technical support, also in combination with financial instruments

4

Possibility to finance stand-alone working capital loans in the new CAP might help to provide support to farmers affected by weather events

Financing gap – Agri-food



- Small-sized enterprises
- Medium-sized enterprises
- Large-sized enterprises

Small-sized enterprises in the manufacturing of bakery and farinaceous products particularly affected



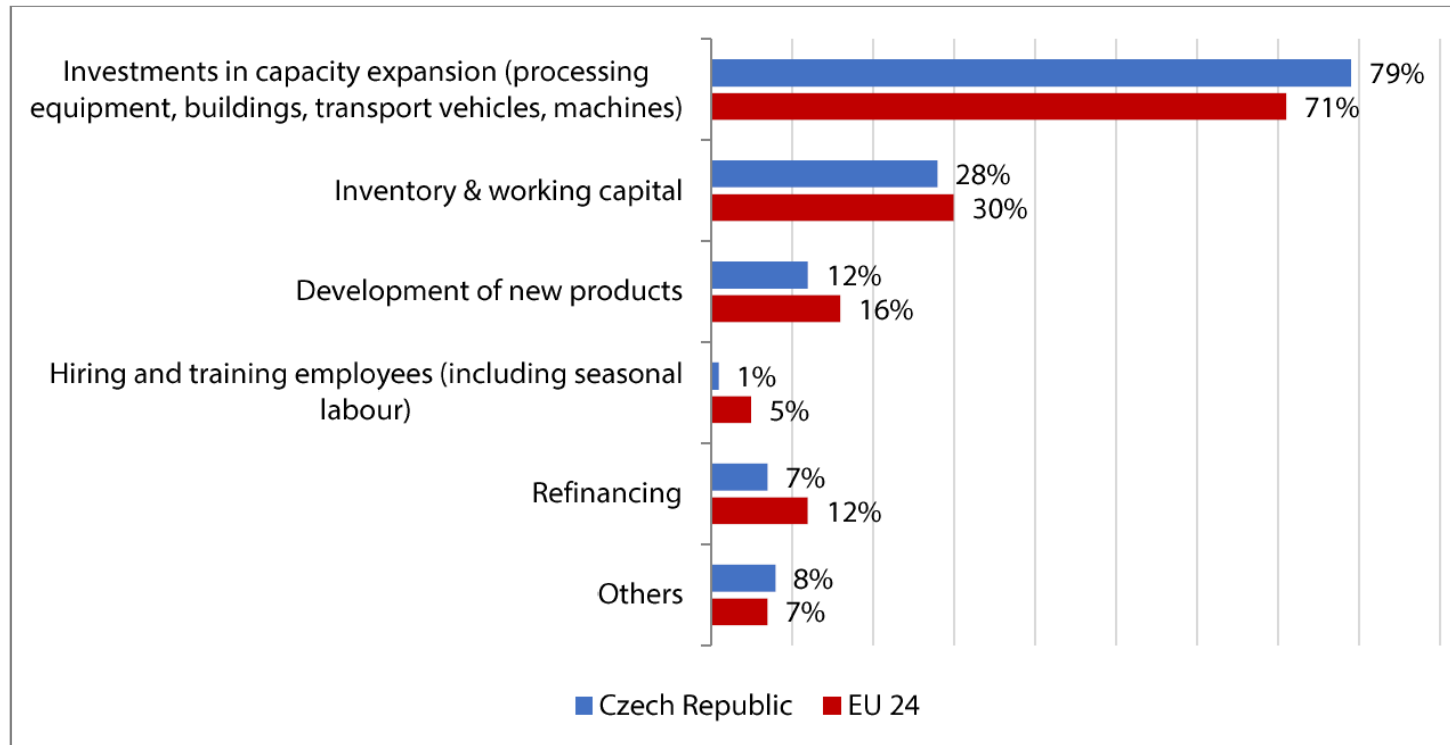
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Demand for finance Agri-food



✓ Purpose of bank loans



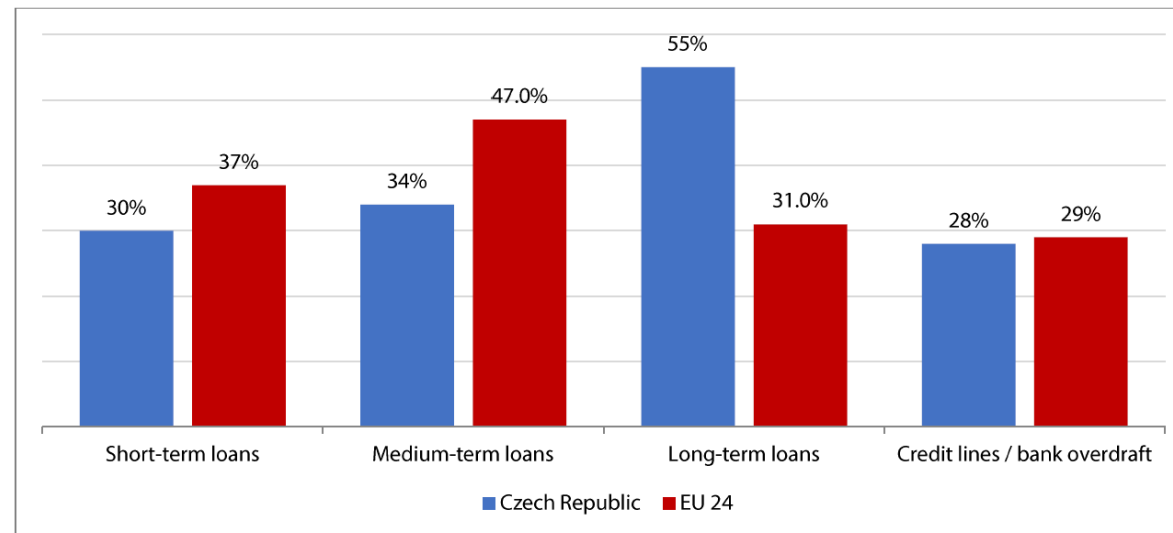
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Demand for finance Agri-food



✓ Applications to different types of financial products



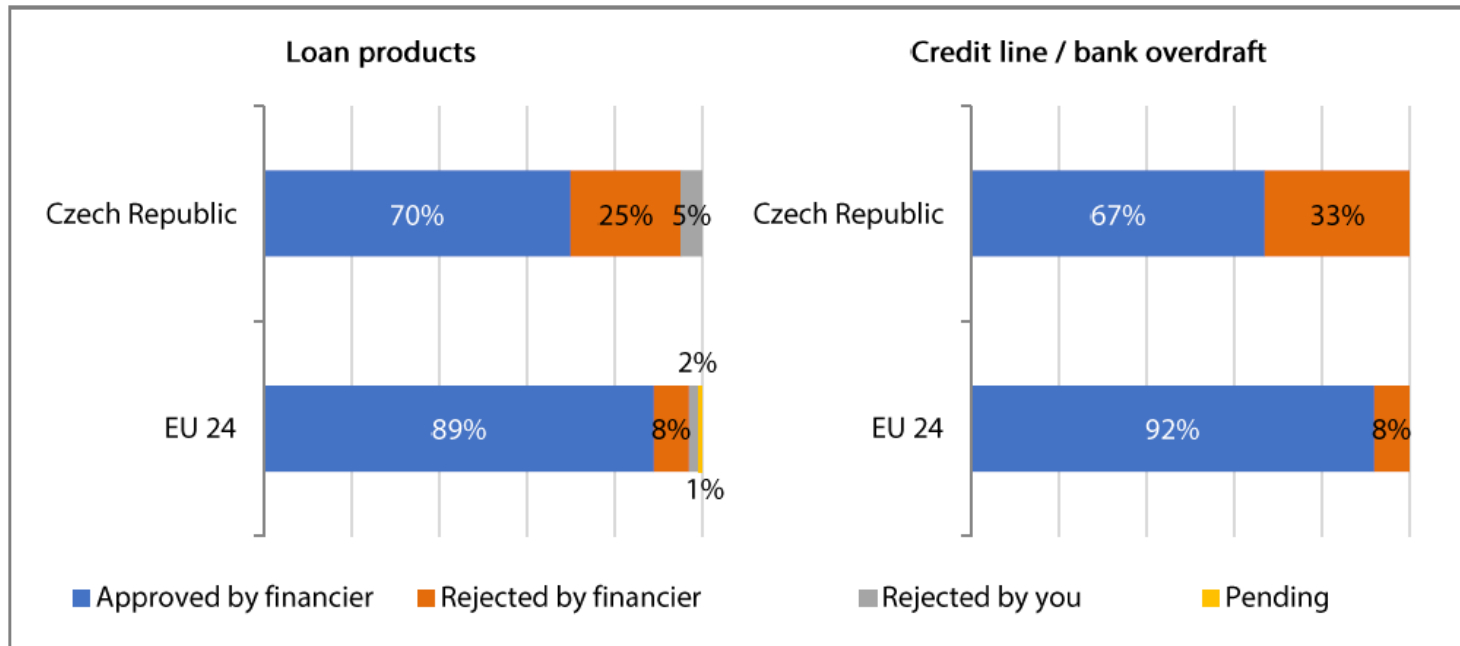
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Demand – Agri-food



✓ result of loan applications in 2018



✓ Discouraged enterprises represent 12% for loans and 15% for credit lines (EU 24 average 8% and 7% respectively)



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Main gap drivers – Agri-food



Lack of collateral



- Small-sized enterprises
- Start-ups and new entrants

Management skills and financial awareness



- According to banks smaller enterprises might lack sufficient management skills to successfully implement investments
- Small enterprises refrain from applying for finance considering the process too complicated and the probability of having the request rejected as too high

Lack of credit history



- Start-ups and new entrants

Economic viability and cash-flow



- Small-sized and micro enterprises

Recommendations – Agri-food



1

An assessment of the current instruments and their ability to address financial constraints of small-sized enterprises and start-ups might be useful

2

A specific guarantee or risk-sharing instrument for the sector might help to address lack of collateral for investment loans in the sector

3

Combination of financial instruments and grant support (including technical support) offers opportunity to design effective instruments for new entrants and small-sized enterprises

4

The possibility to set-up a pilot equity or quasi-equity financial instrument, to support start-ups with innovative projects might be analysed

