



Financial needs in the agriculture and agri-food sectors in the EU

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 #ficompass



Methodology



- Computer-Assisted Telephone Interviewing survey (CATI) carried out in the first half of 2023 on a representative sample of:
 - 6 550 farmers
 - 2 359 agri-food SMEs
- Based on enterprises financial data from 2022
- Covering 24 EU Member States: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
- Update of the previous financing gap estimate published by fi-compass in 2020

Financing GAP

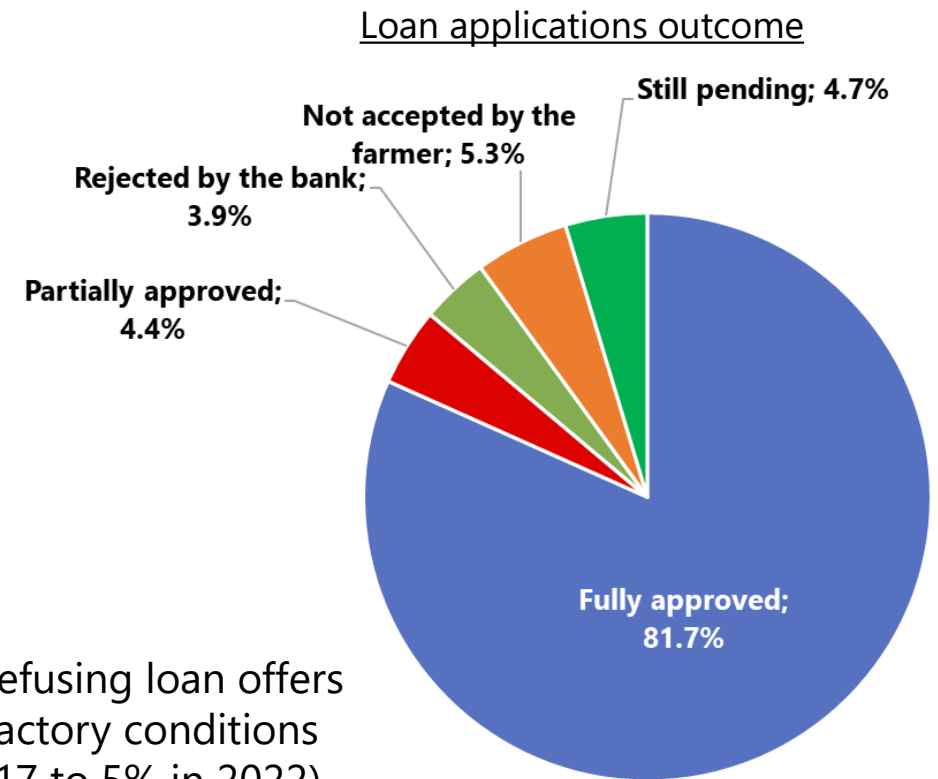
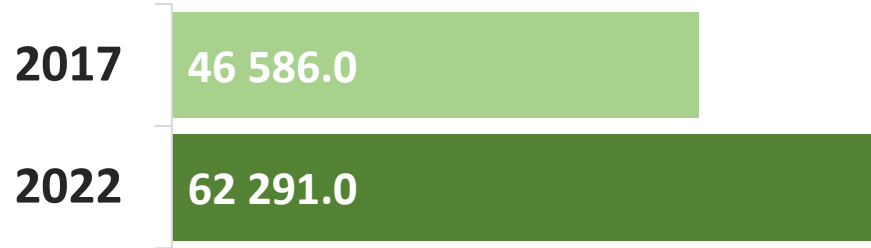
Unmet financing demand, from viable enterprises:

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



Access to bank finance for farmers

Financing gap estimate (EUR million)



More farmers applying for finance (from 16.6% in 2017 to 22.7% in 2022)



More farmers refusing loan offers due to unsatisfactory conditions (from 2% in 2017 to 5% in 2022)



Less rejections from banks (14% in 2017 to 4% in 2022)



More farmers not applying due to fear of rejection (from 10% in 2017 to 14% in 2022)

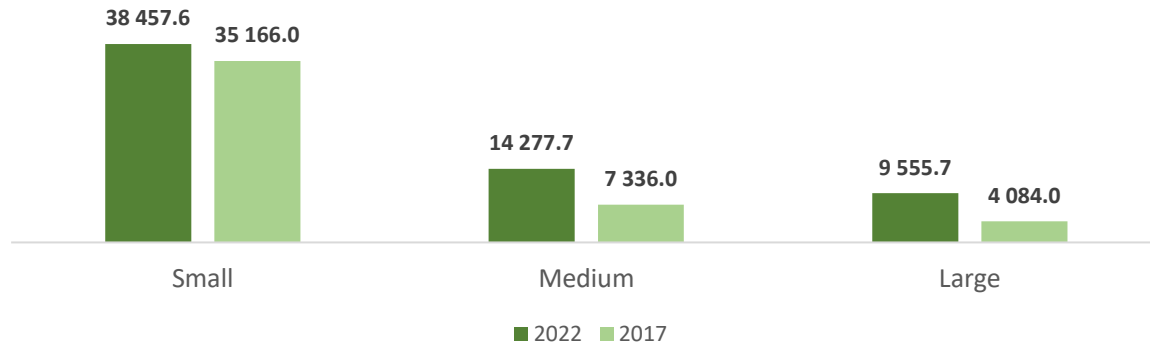


Increase in average loan size

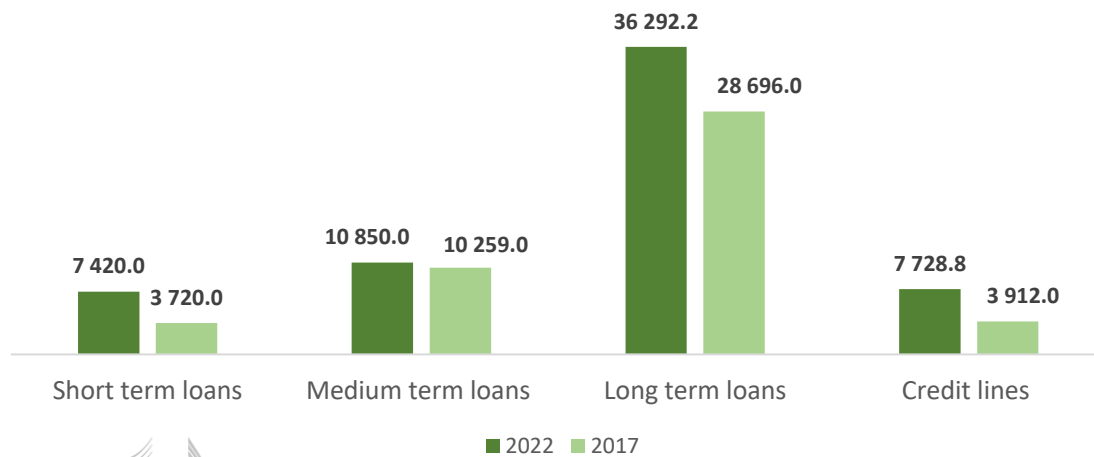
But big differences across the EU



Financing gap by farm size (EUR million)



Financing gap by financial product (EUR million)



Financing gap (EUR million)

	2017	2022
Austria	245.5	↑ 1 806.1
Belgium	193.6	↑ 266.4
Bulgaria	863.0	↓ 894.0
Croatia	1 422.6	↓ 658.1
Czech Republic	216.9	↑ 338.5
Denmark	79.5	↑ 437.4
Estonia	117.2	↑ 125.6
Finland	162.0	↑ 571.3
France	1 746.5	↑ 7 559.1
Germany	1 719.9	↑ 3 633.2
Greece	14 298.6	↓ 3 064.4
Hungary	992.2	↓ 424.4
Ireland	1 039.1	↑ 2 485.3
Italy	1 270.6	↑ 8 959.2
Latvia	31.8	↑ 354.3
Lithuania	2 223.5	↓ 2 108.3
Netherlands	302.7	↑ 816.9
Poland	6 230.0	↑ 7 778.4
Portugal	382.5	↑ 674.8
Romania	5 275.8	↑ 11 429.6
Slovakia	315.9	↑ 521.8
Slovenia	951.7	↓ 228.8
Spain	6 356.7	↑ 6 855.4
Sweden	148.1	↑ 299.8
EU 24	46 586.0	↑ 62 291.0

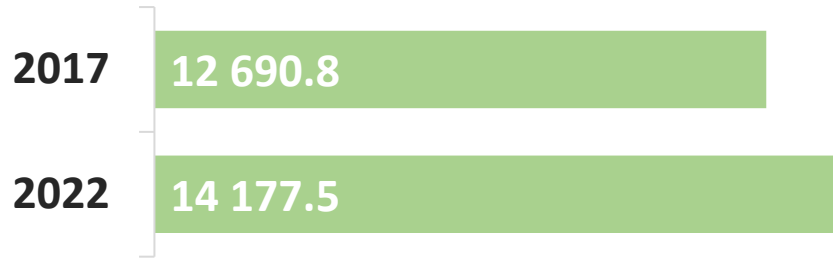


Source: fi-compass 2023

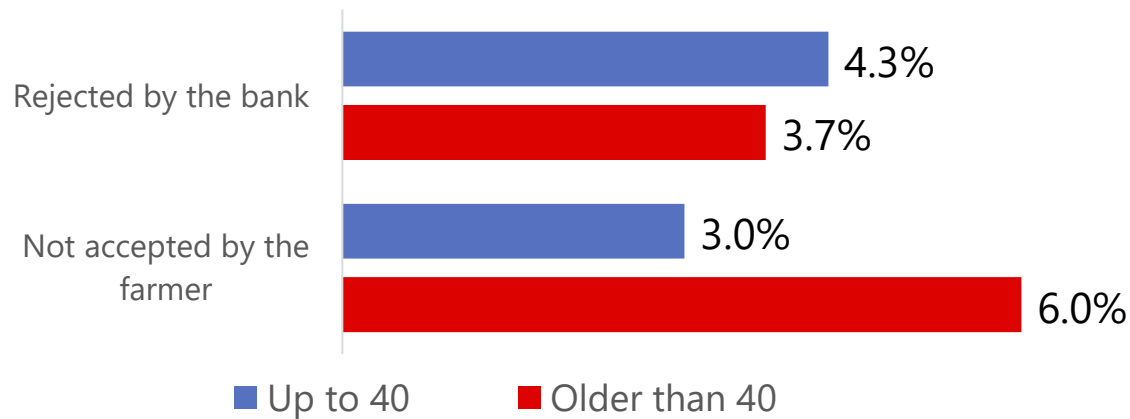


Young farmers

Financing gap for young farmers (EUR million)



Success rate in loan applications by age group

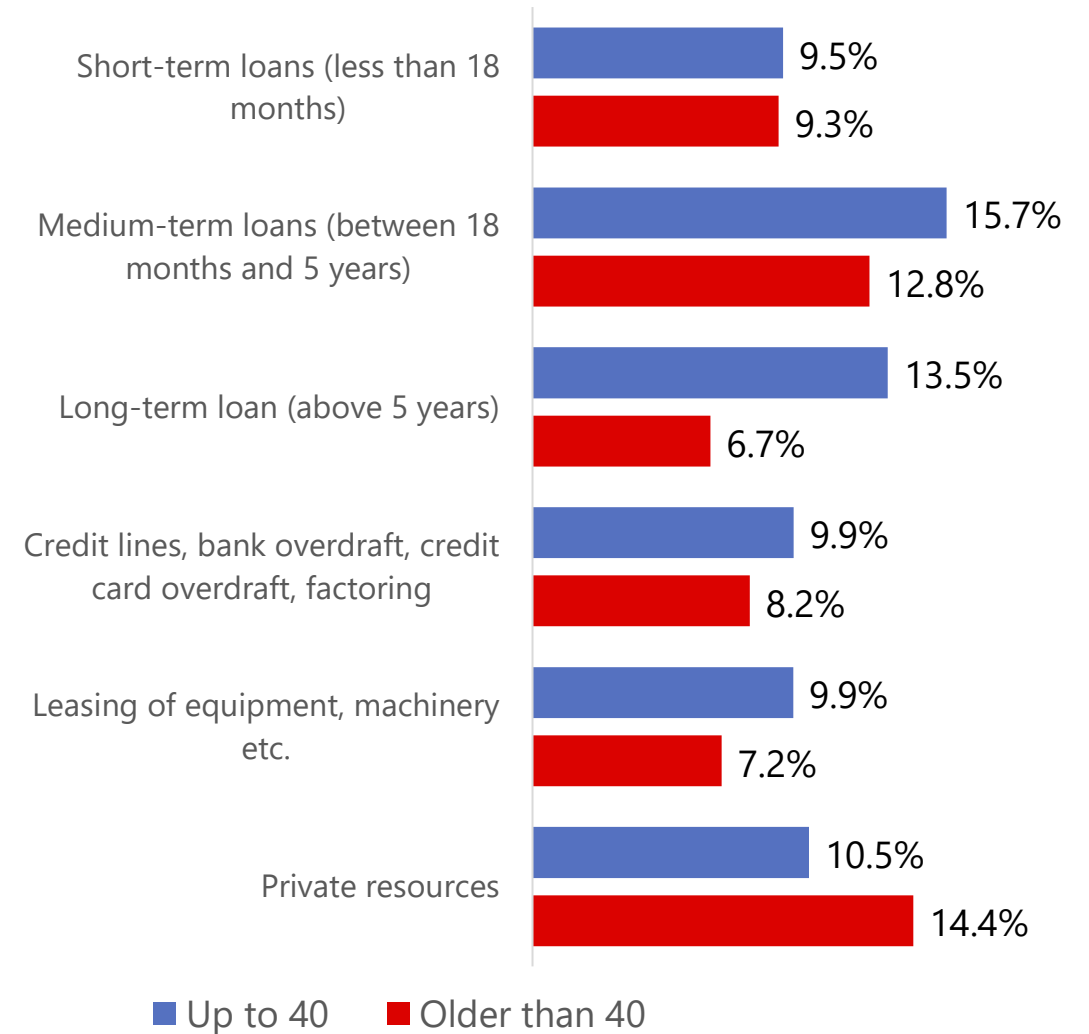


Source: fi-compass 2023



Non-application for fear of rejection is less common among young farmers (11% against 14% for farmers older than 40)

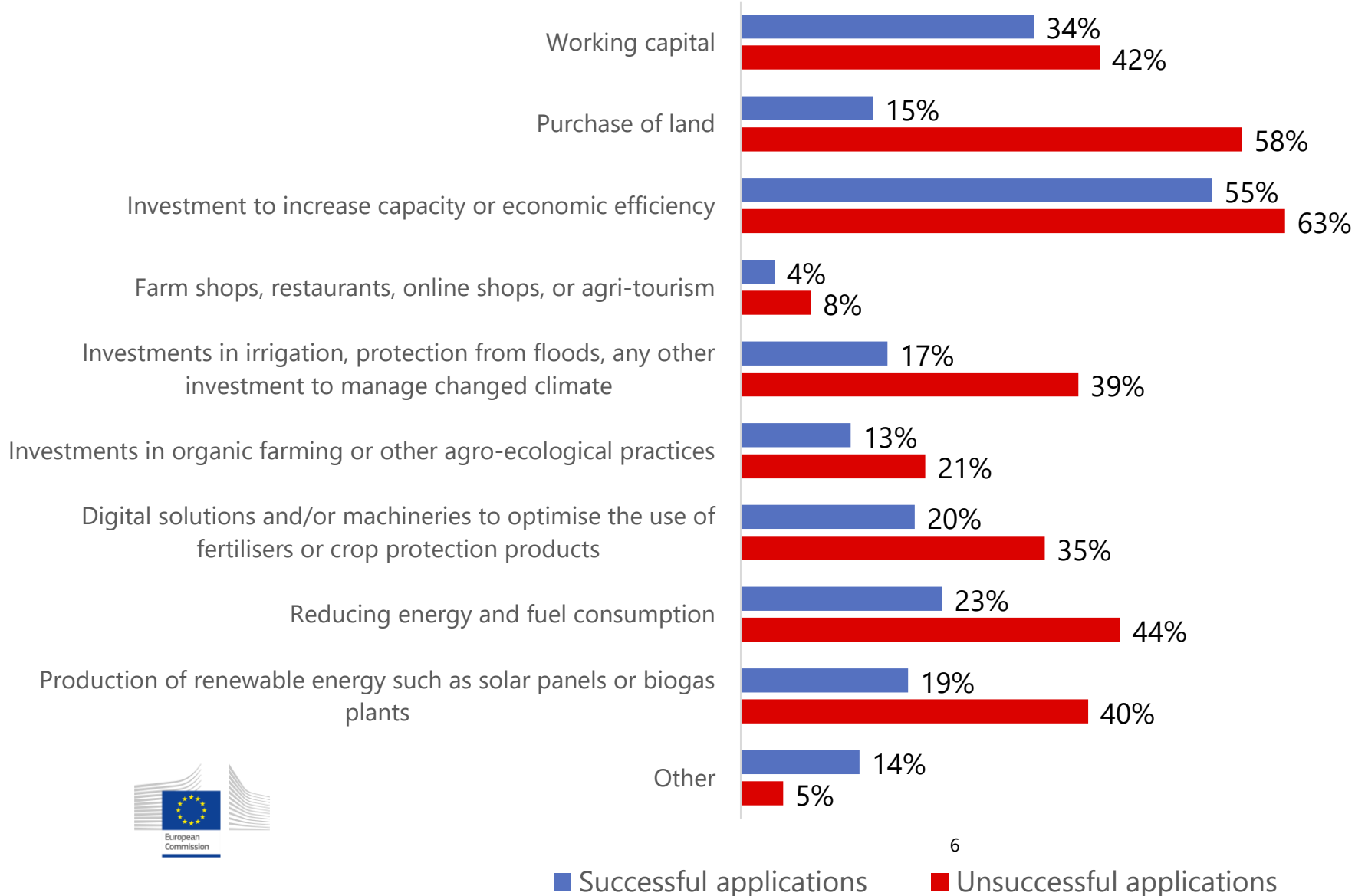
Application rate by financial product and age group



Purpose of the loan



Purpose of the loan – comparing approved vs rejected loan applications

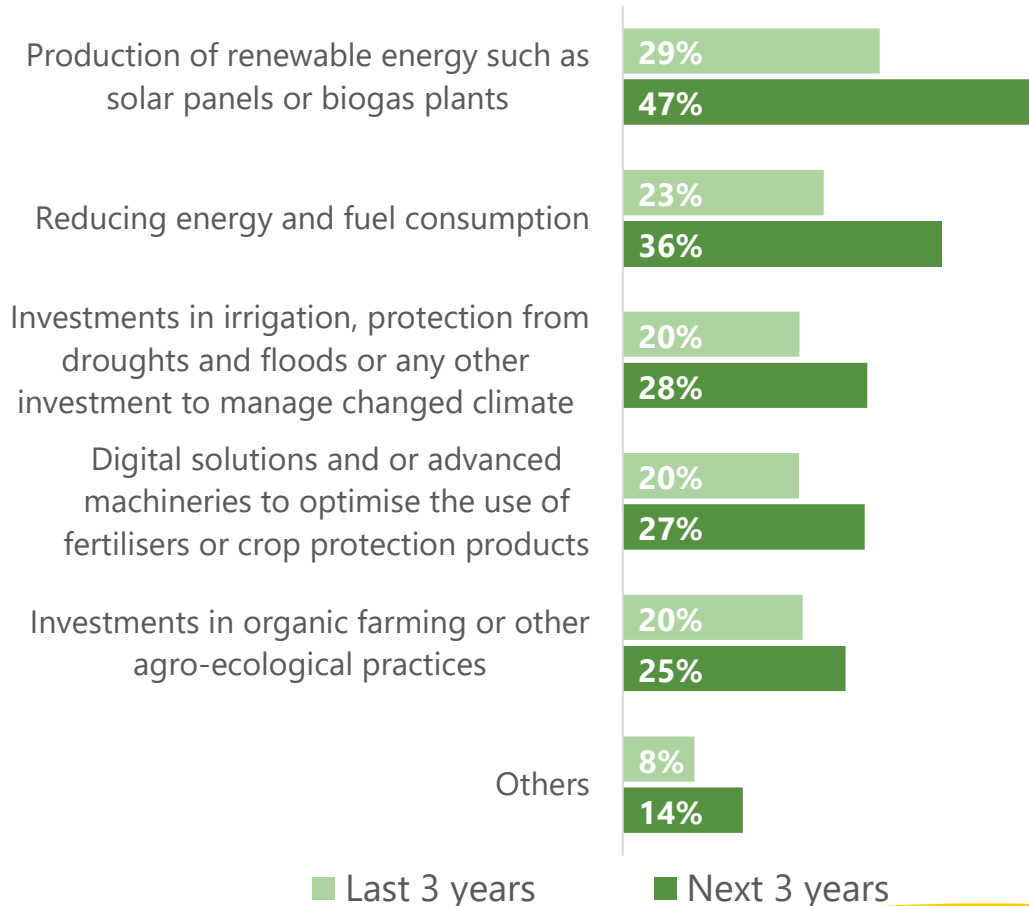


Loan applications related to these types of investment seem to be less successful:

- Purchase of land
- Climate adaptation
- Environment and energy related investments

Green investment analysis

Frequency of green investment categories



- Droughts impacted 86% of farms in the EU-24
- Extreme weather events 68%
- Pest infestations and animal diseases 26%
- Fires 4%

Main obstacles to green investments



Financing gap for green investment:

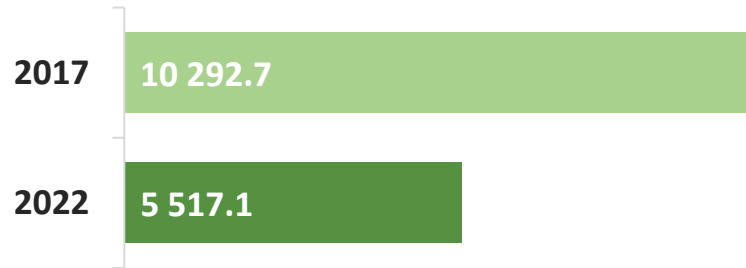
EUR 18.9 billion





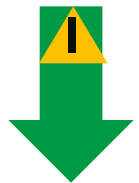
Access to bank finance for agri-food SMEs

Financing gap (EUR million)



Financing gap by product and enterprise size (EUR million)

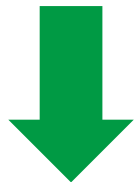
	Total	Short-term Loan	Medium-term Loans	Long-term Loans	Credit lines/bank overdraft
Small	4 028.5	805.1	908.3	1 880.4	434.7
Medium	1 488.5	586.9	432.2	134.1	335.3
Total	5 517.0	1 392.0	1 340.5	2 014.5	770.0



Less SMEs apply for finance (from 46% in 2017 to 38% in 2022)



Decrease in average loan size



Rejections from banks (8% in 2017 to 5.4% in 2022)

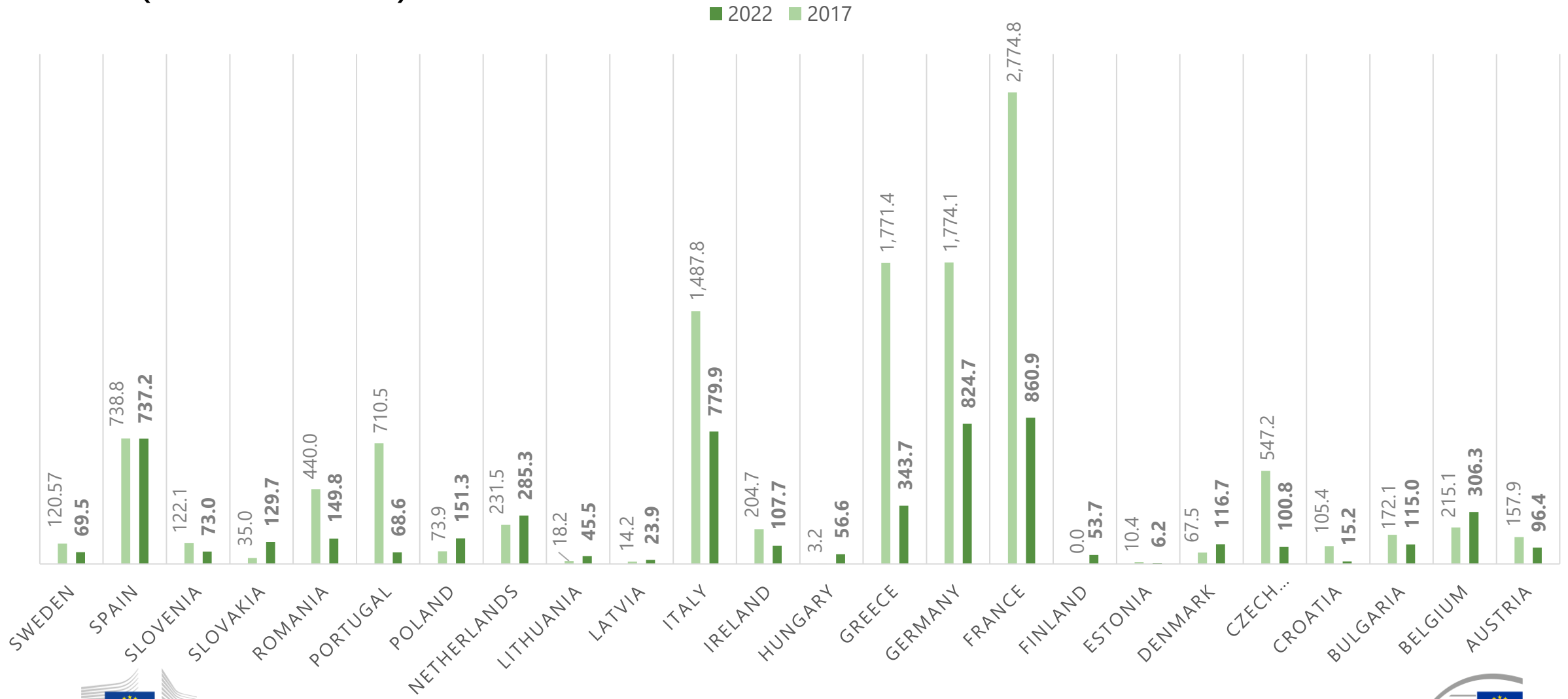


No application for fear of rejection (from 8% in 2017 to 9% in 2022)



Farmers refusing loan offers due to unsatisfactory conditions (from 2% to 1.4% in 2022)

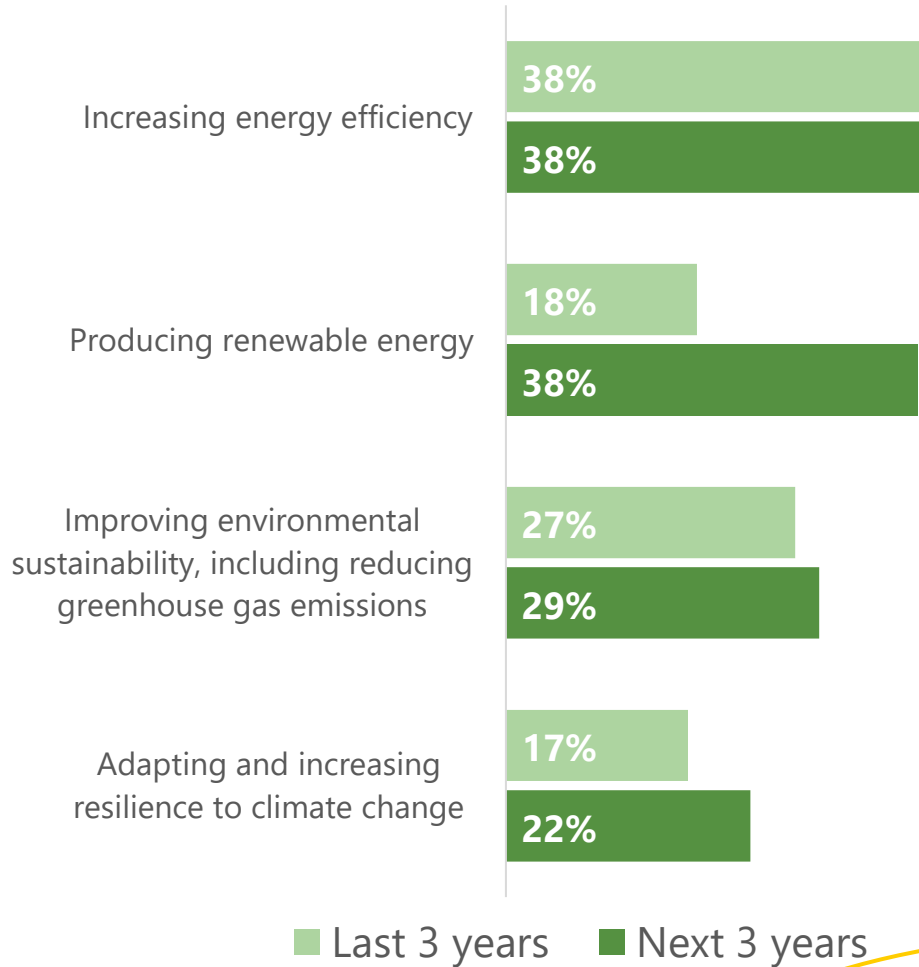
Financing gap for agri-food SMEs at Member States level (EUR million)



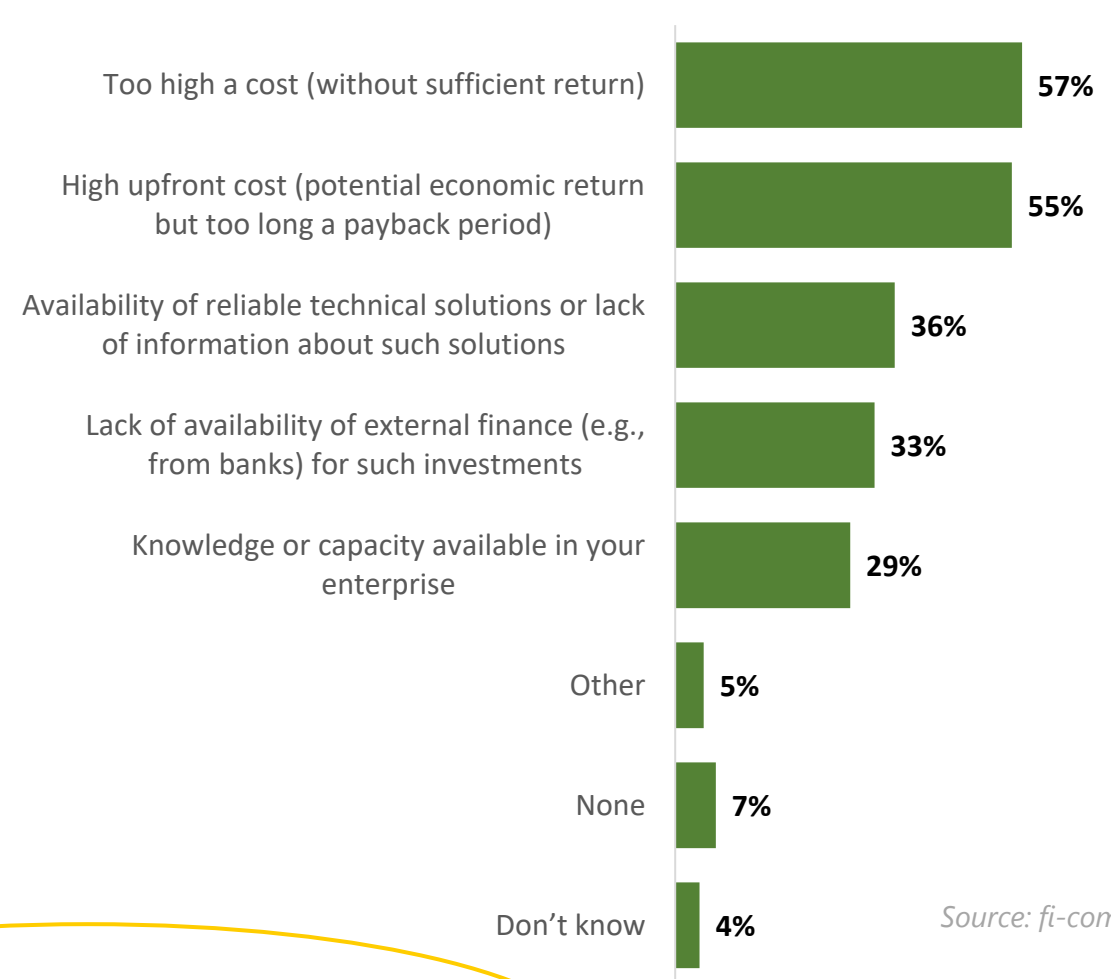
Agri-food SMEs: Green investments in the last 3 years and plans for the future



Frequency of green investment categories



Main obstacles to green investments



Source: fi-compass 2023

**Financing gap for green investment:
EUR 1.3 billion**



Recap - farmers



- Banking sector is responding better to farmers' needs generally, but
- Despite a more favourable financial environment the **financing gap has increased** in the last 5 years.
- **Increased share of farmers relying on bank finance, and for larger amounts, offers more opportunities to use financial instruments** to provide support for strategic investment areas.
- **Divergence in access to finance conditions across Member States is significant.**
- **Small farms are still disadvantaged** in accessing bank credit.
- Challenging for farmers to get financing for **purchase of land.**
- **Young farmers** show increased propensity to apply for bank finance and to invest. **Empowering this new generation of farmers is key to ensuring the sector's long run growth, competitiveness and resilience.**
- Climate change has already a widespread impact across the EU-24, with farmers in some Member States more exposed than others.
- **Farmers show increasing interest in green investments**, in particular for **renewable energy and energy efficiency.**
- Obstacles to green investments such as high cost and long payback periods, lack of knowledge and data to assess innovative investments, make public support necessary. **Financial instruments, combined with grants and technical support could be effective in accelerating the green transition of the sector.**

Recap – agri-food SMEs



- In the agri-food sector the **gap has substantially narrowed** in the last few years:
 - Overall **improvement of the financing environment**, with less loan applications rejected by banks, similar to what has been registered for primary production,
 - But also the **consequence of a reduced demand for finance** from enterprises.
- **Concentration of the gap among small enterprises** and long-term finance.
- **Divergence in access to finance conditions at Member States level.**
- **Growing interest in the sector for green investments**, in particular in the area of energy efficiency and renewable energy.
- **Obstacles related to cost and long-term return emphasise needs for financial support, and possible integration of grant support with financial instruments.**

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October 2023

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and access to finance of
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**Financing gap in the agriculture
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