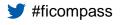




The use/non-use of FIs in the post-2020 CAP for Austria – Findings from a preparatory ex-ante assessment

Bernd Schuh, Executive Director, Austrian Institute for Regional Studies





Content



- What has been done why a "preliminary ex-ante assessment?"
- Supply side
- Demand side
- Conclusions the issues with FIs in agriculture







What has been done



- Preliminary assessment whether FIs shall be considered within the Austrian Pillar II post 2020.
- In principle Step I of the ex-ante assessment according to the "Methodological handbook for implementing an ex-ante assessment of agriculture financial instruments under the EAFRD" – i.e. supply side and demand side analysis
- Assessment whether a financing gap exists







Methodology



- Analysis of CAP Strategic Plan SWOT → linking of needs and potential financing gaps
- Identification of three agricultural/ forestry sub-sectors in coordination with the MA
- Assessment of the potential financing gap
- Desk research, statistical analysis
- Interviews with multipliers and potential final recipients (tot. 15)







Supply side



- In principle following suit the analysis of the 'Study on financial needs in the agriculture and agri-food sectors in Austria'
- Supply of capital for agriculture/ forestry is sufficiently provided

 capital market conditions are favourable for banking sector
 (some single exceptions)
- In EU comparison low average default rate for agricultural/ forestry sector (54.091 Euro/ per economic unit in 2018) → risk aversive behaviour of farmers/ foresters







Demand side I



Some preliminary observations

- Demand side analysis will have to be aligned with needs as identified for Rural
 Development Programmes/ territorial needs of rural areas → wider set perspective than
 just agriculture
- In Austria starting point has been the SWOT of the Austrian CAP strategic plan
- Only three sub-sectors have been specified and identified with potential of lacking access to financing:
 - Farm succession outside the family market entry of "new farmers/ foresters"
 - Atypical "agricultural" producers on the verge to enterprises
 - Adjustment to working capital needs due to extreme weather events/ climate change adaptation







Demand side II



Some findings:

- For farm succession: existing instruments sufficient, but wider target groups for non-family succession needed – alternative forms of support (e.g. farm fairs/ exchange platforms)
- Atypical agriculture: large potential, existing financing mechanisms deemed sufficient, but bridge towards other economic sectors needed → farmers become entrepreneurs and vice versa → classical "venture capital" instead of FIs
- Extreme weather event consequences → again existing risk mechanisms sufficient; Austrian agricultural structure calls for the existing system of shred risk via PPP





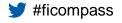


Conclusions



 From the analysis of supply and demand side NO financing gap can be detected → NO programming of FIs in Austria recommended







Conclusions II



Problems with the FI ex-ante assessment methodology:

- FIs are still a part of the EAFRD → a broader perspective on rural development is needed & "needs" in rural areas are to be the guiding principles
- Agriculture and forestry are sectors "in transition" → innovative behaviour from outside to be allowed, sectoral permeability to be fostered, rural areas are to be confronted with a mix of sectors and land uses (circular economy, energy, mobility, ...)
 → increased complexity of support, which FIs cannot serve













