

## Situation in finance in EU agricultural sector

“Financial gap in the EU agricultural sector is between EUR 7.06 billion and 18.60 billion.” [\\*](#)

Based on the survey by European Investment Bank

“There are between 64 856 and 170 771 financially viable agricultural enterprises not obtaining a loan (EU28)” [\\*](#)

In 2017, nearly 30% of agricultural enterprises applied for financing

- 12.2% of farms said that access to finance for investments was difficult in the previous year and 10.4% had difficulties in accessing finance for working capital.
- For another 10% of the respondents, the key reason for not applying for bank finance was the fear of rejection.
- 10% of rejected bank applications were due to non-acceptance of livestock or other movable farm assets as collateral. Only half of farms have fully-fledged bookkeeping (double-entry) or an expert accountant.

Most agricultural enterprises in the EU concentrate on producing cereals (32%), followed by dairy and livestock.

On the 5th of October 2020 European Parliament adopts EU rules for crowdfunding platforms under ECSP.

“We believe it has the potential to make **pan-European crowdfunding a reality**, and that doing so will be of huge **benefit** to European start-ups and **SMEs and to European investors.**” [\\*\\*](#)

## New product launching - Seasonal funding for farmers

By obtaining ECSP and introducing innovative financial products, LendSecured will provide better access for funding to EU farmers.

At the beginning of every season farmers are in need of bigger working capital. The idea of seasonal funding is to provide this capital as a loan which is repaid when the crop is harvested and sold.

The collateral in seasonal funding are grains which are highly liquid and have transparent market prices all over the EU, which makes it much easier to evaluate than other assets, for example agricultural land.

The product is quite simple, yet effective and adaptable to all EU geographies.

*"The European Commission encourages citizen participation and promotes the creation of positive social impact through crowdfunding. A resilient European social economy sector has an important role to play to ensure that we leave no one behind."*

- Nicolas Schmit European Commissioner for Jobs and Social Rights

## Benefits for investors

### I. Liquid collateral

Grain price are easy to track worldwide.

### II. Annual return 12%

With payment method monthly or bullet.

### III. Possibility to diversify portfolio

Dynamic loan terms - 6 to 12 months

## How it works



## Crop insurance

To protect against either loss of their crops due to natural disasters, such as hail, rainfall, storm.

## 3-Way agreement

By signing an agreement with future harvest buyer we are ensuring that the loan plus interests are paid back in the first place and the farmers are receiving the remaining amount afterwards from the grain buyer.

## Personal guarantee

In many cases farms are transferred from one generation to the next within the same family so such personal guarantee is much stronger than general SME owners.

## Additional assets

Most of the farms are owning valuable assets such as machinery, agricultural land, buildings etc. That could also be used in debt collection scenarios.

## Hedged grain price

Grain buying companies use financial instruments for protecting against financial losses from grain price fluctuations. This is known as “price hedging”.

## Goals

### I. Increase lending volumes

To EUR 5M in 2021 (Baltic States) and EUR 20M in 2022 (other EU countries).

### II. Diversify portfolio

Possibility for investors to diversify their portfolio.

### III. Social impact

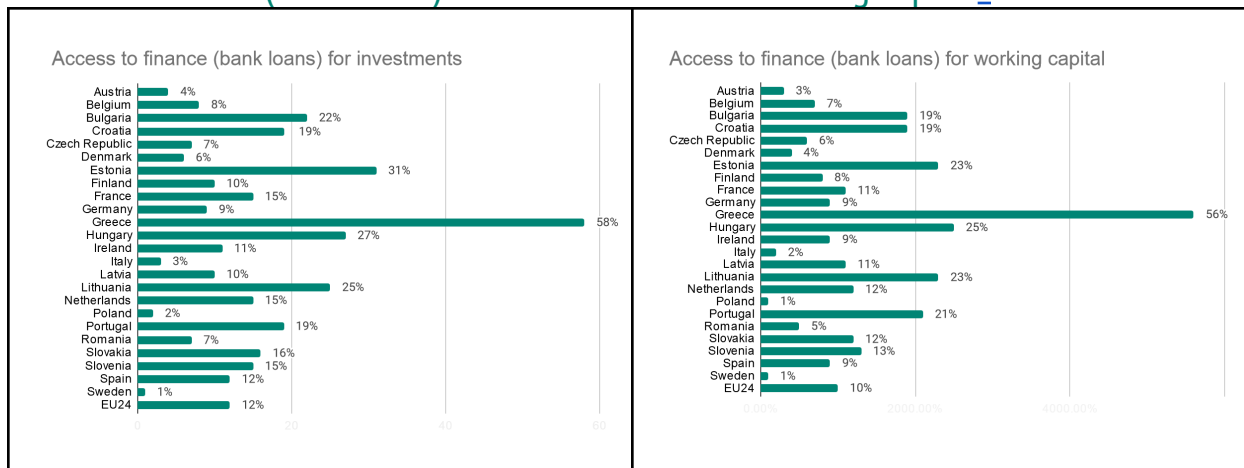
Investing in agricultural loans is added value to the whole EU economy.

### IV. Available finance for farmers

To narrow down the financial gap in the EU agricultural sector.

## Data

### Access to finance (bank loans) for investments and working capital\*



Most affected countries - Hungary, Greece, Romania, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Spain - where finance (bank loans) are almost impossible to get.

### Financial gap in 9 most affected countries\*

Financial gap is

Estimates EUR 8.8-16.2 Billion

	Lower boundary (in EUR)		Upper boundary (in EUR)	
	Short-term loan	Medium and long-term loan	Short-term loan	Medium and long-term loan
Hungary	150 065 765	242 884 176	348 728 522	564 423 470
Greece	205 401 003	990 766 123	818 714 446	3 949 126 467
Romania	1 491 610 873	4 300 670 967	1 724 484 942	4 972 102 616
Bulgaria	20 866 073	94 741 544	61 566 601	279 540 612
Croatia	3 785 219	170 950 076	5 475 907	247 305 843
Estonia	4 927 308	13 738 316	13 882 056	38 705 939
Latvia	0	0	41 914 124	112 813 480
Lithuania	113 236 272	159 271 945	109 517 628	154 041 504
Spain	46 498 039	710 829 397	163 029 430	2 492 279 521
	<b>2 036 390 552</b>	<b>6 683 852 544</b>	<b>3 2870 313 656</b>	<b>12 810 339 452</b>

## Financial gap in Baltics\*

Estimates EUR 291-470 million

	Lower boundary (in EUR)		Upper boundary (in EUR)	
	Short-term loan	Medium and long-term loan	Short-term loan	Medium and long-term loan
Lithuania	113 236 272	159 271 945	109 517 628	154 041 504
Latvia	0	0	41 914 124	112 813 480
Estonia	4 927 308	13 738 316	13 882 056	38 705 939
	<b>118 163 580</b>	<b>173 010 261</b>	<b>165 313 808</b>	<b>305 560 923</b>

As all 3 of Baltic countries are included in 9 most affected countries list, taking in consideration that LendSecured is based in Riga, Latvia, our primary goal will be to launch a seasonal funding product in Baltics. With future expansion to next affected countries after making detailed due diligence.

## Grain producing

European grain market is vast and is predicted to expand even more, although it lacks funding. Grain prices are set by stock exchange and are freely available online for anyone interested. The goal of LendSecured is to make the funding available for those farmers, who are in need of it.

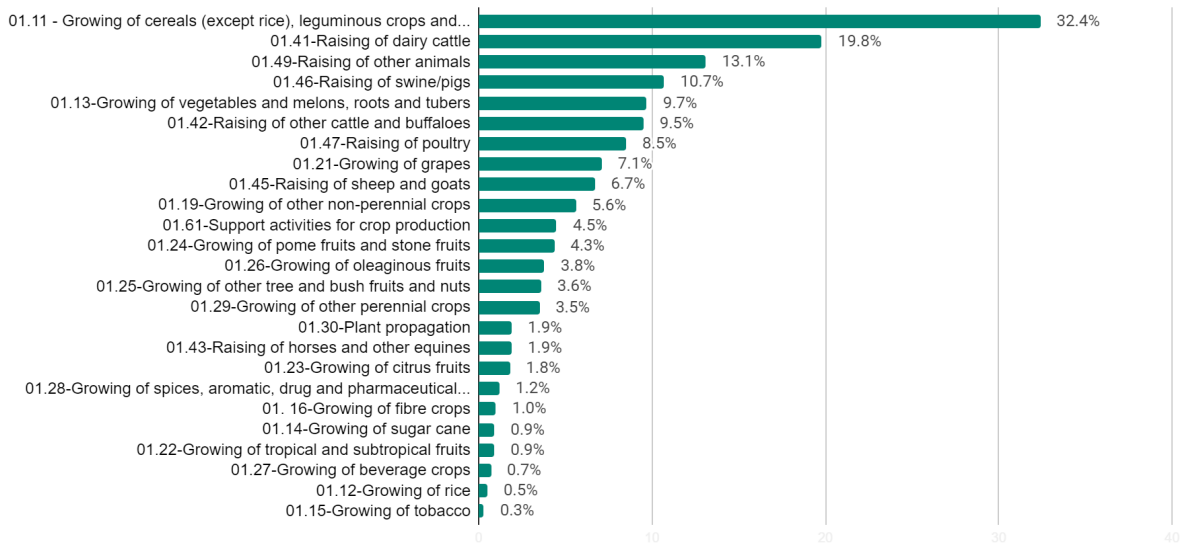
According to Eurostat in 2019 28EU countries produced 324 529 000 ton of grain. Read more [here](#).

By rough estimate, 1 ton of grain costs around EUR 150-200 depending on the quality and type.

Estimated value of grain produced in 2019 is EUR 55.17 Billion .

More statistics on weekly, monthly and world grain prices, EU production and trade [here](#).

## Main activity (class sectors according to NACE Rev.2)



*“Alternative finance is gaining momentum across the European Union thanks to crowdfunding platforms, which are providing financial support to an increasing number of business”*

- Lilyana Pavlova Vice President of European Investment bank

## Subsidies from EU

In July 2020, the European Council made conclusions on the Commission’s proposals for a long-term budget of the EU for 2021-2027, which will now be put forward to the European Parliament. Based on these conclusions, the future CAP will be supported by robust funding. Read more [here](#).

LendSecured predicts that this will encourage new farmers to focus on crop production and will boost the overall amount of production across the EU. Furthermore, the funding will be an additional asset, from which to repay the loan.

<p><b>€387 billion</b> In CAP funding</p>	<p>Based on the July 2020 European Council conclusions, the CAP’s European agricultural guarantee fund (EAGF) will be set at €291.1 billion (in current prices), while its European agricultural; fund for rural development (EAFRD), including the Next Generation EU funding, will amount to €95.5 billion.</p>
<p><b>Up to €8 billion</b> From Next Generation EU</p>	<p>Next Generation EU will reinforce the budget of the EAFRD by €8 billion to help rural areas make the structural changes necessary to achieve the goals of the European Green Deal and digital transition.</p>
<p><b>Up to 25%</b> Transfer between income support and rural development</p>	<p>In order to allow EU countries to better adapt the policy to their farming sectors’ priorities, they will have the option to transfer up to 25% of their CAP allocations between income support and rural development. EU countries can apply additional flexibilities for certain specific purposes, such as supporting environment and climate objectives, supporting young farmers and in the case of countries with below-average direct payments.</p>

<b>Farms size class</b>	<b>Beneficiaries</b>	<b>Area</b>	<b>Direct payments</b>
<=5 ha	48.2%	4.6%	5.5%
5-250 ha	50.6%	67.3%	71.5%
>250 ha	1.3%	28.2%	23.0%

Medium-sized farms (between 5 and 250 ha) farm some 67% of EU agricultural land and receive about 72% of direct payments. Very small farms (below 5 ha) represents almost half of all beneficiaries but farm only 4.6% of EU agricultural land and receives 5.5% of direct payments. Read more [here](#).