



ACCESS TO FINANCE FOR SMALLER FARMS IN THE EU

17 May 2022 in Brussels.

 #ficompass





INSIGHTS FROM A MICROFINANCE ORGANISATION ACTIVE IN AGRICULTURE

Péter Vonnák, FEA Group, Vice-President

The FEA GROUP

Introduction

- **Main activities:**

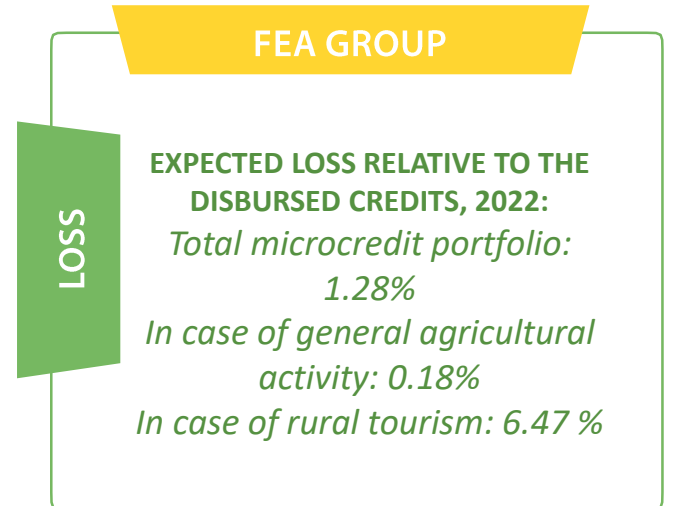
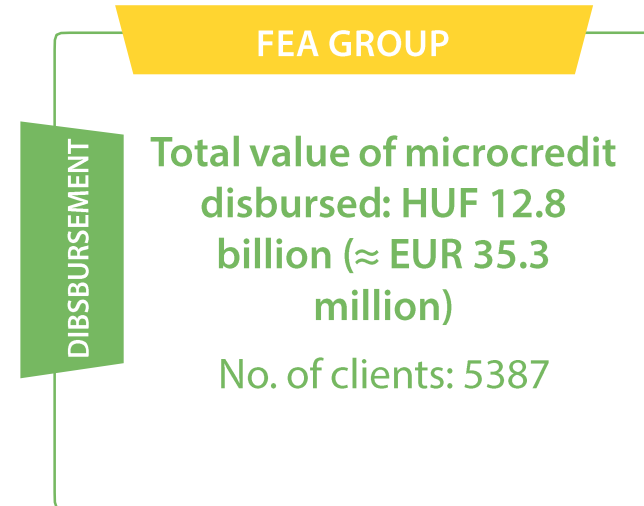
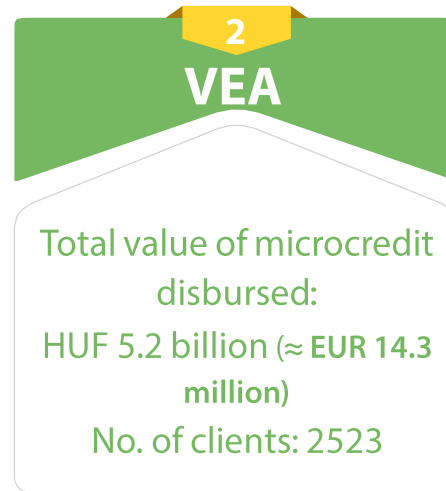
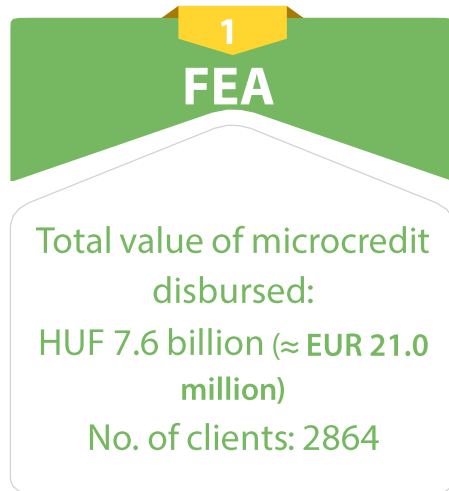
- Business financing
 - Microcredit
 - Venture capital
- Business Development Services



<https://www.youtube.com/watch?v=W8PaLRFK9DU>

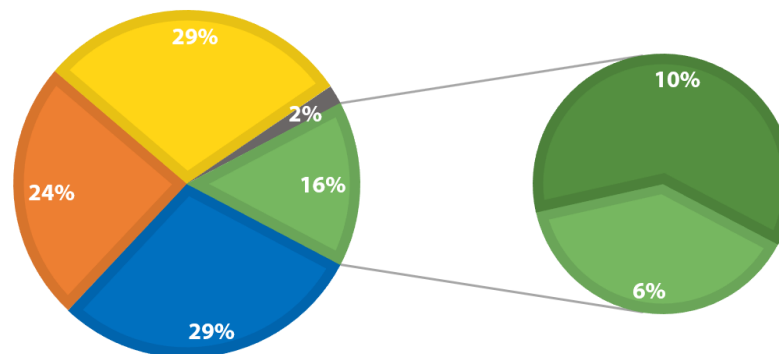
MICRO-LENDING ACTIVITY

Since 1992 independent of the sector



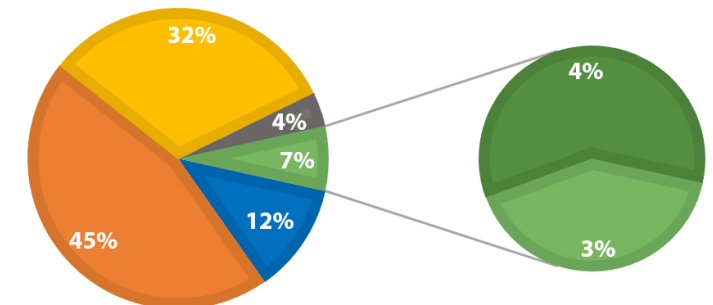
SECTORAL SHARE OF MICROCREDIT 2006

■ Industry ■ Services ■ Trade ■ Other ■ Agriculture ■ Rural tourism



SECTORAL SHARE OF MICROCREDIT 2022

■ Industry ■ Services ■ Trade ■ Other ■ Agriculture ■ Rural tourism



MICROCREDITS

Main targets of microcredit in the agricultural sector

1

Rural tourism

It got into a difficult situation due to
COVID-19

2

Purchase of agricultural machines

Forestry machines are popular

3

Purchase of a site

It is typical of the agricultural processing
industry

4

Purchase of agricultural drones

NOVELTY! It is only funded by us



MICROCREDIT PRODUCTS

Sector-neutral microcredit products that are also accessible in the agricultural sector

1

Investment microcredit

- ❖ Loan amount: max. HUF 15,000,000 (≈ 40 000 EUR)
- ❖ Maturity: 10 years
- ❖ Grace period: 1 to 6 months
- ❖ Own contribution: 0%
- ❖ Interest rate: fixed at 9.9%, or JBA+2.5%

2

General purpose microcredit

- ❖ Loan amount: max. HUF 10,000,000 (≈ 27 000 EUR)
- ❖ Maturity: 3 years
- ❖ Grace period: 1 to 3 months
- ❖ Own contribution: 0%
- ❖ Interest rate: fixed at 9.9%, or JBA+2.5%

3

Revolving microcredit

- ❖ Loan amount: max. HUF 5,000,000 (≈ 13 500 EUR)
- ❖ Maturity: 3 years
- ❖ Grace period: 12 months
- ❖ Own contribution: 0%
- ❖ Interest rate: fixed at 5.9%

4

Subsidized municipal microcredit

- ❖ Loan amount: max. HUF 5,000,000 (≈ 13 500 EUR)
- ❖ Maturity: 5 years
- ❖ Grace period: 1 to 12 months
- ❖ Own contribution: 0%
- ❖ Interest rate:
 - ❖ In the first year: 0%
 - ❖ From the second year: fixed at 2.5%

Operational characteristics:

- Fully digitised lending procedures first in Europe (International awards: 2009 Milan, 2011 London, 2017 EU Rural Finance Good Practice)

Basic principles of lending:

- We only fund activities that are deemed viable
- Positive business prospects and market production are important considerations
- We provide assistance even after taking the loan

Microcredit product to purchase an agricultural drone

- ❖ **Loan amount: max. HUF 5 million (\approx 13 500 EUR)**
- ❖ **Maturity: 1 to 3 years**
- ❖ **Grace period: 1 month**
- ❖ **Own contribution: 30%**
- ❖ **Interest rate: between 19% and JBA+25%, depending on the risk rating of the business**
- ❖ **Collateral: the purchased asset + other movable property**
- ❖ **Property insurance must be taken out for the collaterals**



The rationale for agricultural microcredit

Lack of resources in non-profit micro-lending in Hungary



Businesses

- 98% of Hungarian businesses are SMEs
- Of this 95% are micro-entrepreneurs
- Micro-enterprises provide jobs for 35% of all the people employed
- This makes them the largest employer in the Hungarian economy

In the agricultural sector

- 3% of the business associations,
- 75% of individual farms **use less than 1 hectare of land**

The financing of micro-entrepreneurs, who typically operate as „primary producers“, represents a risk that is no longer acceptable to commercial banks operating under strict money market regulation.

Bank finance is available for farmers using large areas of land, as the large amounts of land-based subsidies provide a balanced steady income that makes the lending risk for these farms acceptable to profit-oriented commercial banks.

PROPOSAL:

A revolving, sector-neutral microcredit fund should be set up for the Hungarian NON-PROFIT MICROCREDIT PROVIDERS



<https://www.youtube.com/watch?v=OeDCFWMVxA4>

BASIC PRINCIPLES

Basic principles of publicly funded non-profit microcredit

Rome, 29 September 2016

PROFESSIONAL RECOMMENDATIONS FOR EUROPEAN DECISION MAKERS REGARDING THE LEGISLATION OF MICROFINANCE

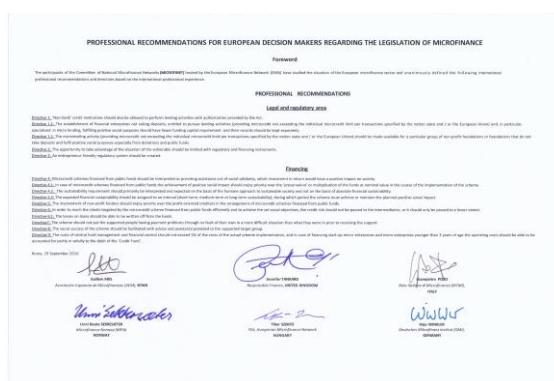
Directive 4: Microcredit schemes financed from public funds should be interpreted as providing assistance out of social solidarity, which investment in return would have a positive impact on society.

Directive 4.1: In case of microcredit schemes financed from public funds the achievement of positive social impact should enjoy priority over the 'preservation' or multiplication of the funds at nominal value in the course of the implementation of the scheme.

Microfinance, Development Cooperation and Human Rights Master's degree

For the positive social impact of publicly funded microcredit to be realized, it is essential to have the knowledge that can currently only be acquired through the MASTER course offered by the University of Cadiz.

POSITIVE SOCIAL GOALS ARE PRIORITY





Recommended links:

<http://microfinancegoodpractices.com/downloads/>

<https://microfinancecommunity.com/>

<https://ucamaster.com/>

https://www.youtube.com/watch?v=TBmD_El0rdc

<https://www.european-microfinance.org/publication/fejer-enterprise-agency-fea-entrepreneurship-promotional-tools>

<https://nyeresegezesuzlet.hu/ecoinfo-tv-english/>



Thank you!



vonnak.peter@rvagroup.hu