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Guest editorial

Financial instruments and access to credit for the development of agricultural and agri-food enterprises # Ecological and digital transition

Lucia Briamonte^a, Angelo Frascarelli^b, Biagio Pecorino^c

^a Research Centre for Agricultural Policies and Bioeconomy (CREA), Italy

^b University of Perugia, Italy

^c University of Catania, Italy

The issue of finance and access to credit and other financial instruments has always been an important issue and is increasingly strategic for the management of the agri-food system, which, partly as a result of the pandemic crisis and the war, increasingly see reduced competitive advantages resulting from globalisation, with increasing costs, price volatility, labour shortages and, in an organisational sense, by the inefficiency of the supply chain. This implies the need for rapid repositioning and adaptation, also in the light of the innovations introduced by the ecological and digital transition, through an expert guide, concrete and effective that can play a literacy role for farms in the relationship with the world of credit, aimed at the presentation of viable business projects.

The framework of the instruments made available by the Government and the European Union under the National Recovery and Resilience Plan (PNRR) and the new Common Agricultural Policy (CAP), impose a governance and a strategy aimed at overcoming the specific weaknesses of agricultural and agri-food enterprises, to allow a full and effective use of them (Tirelli Palummeri, 2014); likewise, a “sustainable” accompaniment is necessary banks and the State in the drive towards a regeneration of the farms themselves. The world of universities and research also play an essential role as a reference point for operators and stakeholders in the sector, and it is in this direction that the Italian Society of Agri-Food Economics

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(SIEA) in collaboration with the Centre for Policies and Bioeconomy of CREA and ISMEA, organized the XXX Conference of Studies SIEA held in June 2022 in Rome on the theme “Financial instruments and access to credit for the development of agricultural and agri-food enterprises”.

The issue of public support and credit is even more important at this stage and it has been important to open a debate on the system of financing farms, involving representatives of the world of research, the banking system, institutions and operators in the sector, to discuss and examine, from different perspectives, the issues relating to access to credit by agricultural and agri-food businesses, the financial support instruments made available by the public authority and the opportunities opening up with the PNRR and the new CAP for the agricultural and agri-food sector.

During these two days, the theme of public support and agrarian credit was put back at the center, a fundamental theme for the development of farms that, in recent years, has not been treated in depth, even in the academic field. With this conference, therefore, it was discussed at a time when it returns to be fundamental programming and definition of investment programs and development of farms and agri-food. The issue of credit seems apparently unrelated to public policy support, but in the agricultural and agri-food sector very often public support has been the engine and lever for development. The data tells us that credit is strong where agriculture is strong and equally for public support: both public support and credit, go where there is efficiency, resources are allocated where they are used more efficiently (Briamonte & Vaccari, 2021).

Many, therefore, the critical issues and challenges to be faced, many opportunities and positive signals emerged in the debate and to be grasped, including the availability of new products, which also adapt to small and micro agricultural enterprises: Basket bond (eg. Amundi Eltif Agritaly PIR, Fondo Cbus, Crowdfunding, etc.) and new financing linked to sustainability-linked and ESG parameters (*Reg (EU) 2019/2088 of the European Parliament and of the Council of 27 November 201 on sustainability reporting in finance services (SFDR)*).

The focus has therefore been on the following crucial elements:

1. the credit requirements of agricultural and agri-food enterprises and the consequent need to resolve the difficulties of access to them (Rizzuto, 2020);
2. the need to find “sustainable” solutions to ensure the full use of the numerous and substantial public financial support instruments currently available: VAT co-financing and anticipation, streamlined implementation procedures, adequate timelines;
3. the role of the State, between support granted and potential new options from the EAFRD Fund, not yet tested;

4. the role of research and knowledge to create and support a specific financial culture for agricultural and agri-food businesses.

The scenario of access to credit, therefore, is not a static scenario but is the result of social and cultural transformations, a change of paradigms related to environmental sustainability, the centrality of the agricultural and agri-food business and the rules governing banking (Pascucci, 2022). The perception of an improvement in the quality of credit and the instruments to support the development of agricultural enterprises is also evident from the articles presented in this special issue and listed below in the table, the result of a specific call that aims to highlight the different aspects that characterize a request for external financing by the entrepreneur, in a production cycle of the agricultural enterprise, often characterized by a long-term, technological uncertainty, and which is based on a heavy productive risk due to fluctuations in market prices both of the productive factors and of the products produced, of which the farmer is often a price taker.

Authors	Title contribution
Notes	
Giorgio Bertinetti	Changes in SMEs financing: risks and opportunities for agro-food farms
Mattia Iotti	Financial evaluation and credit access of agricultural firms
Assunta Amato, Tatiana Castellotti, Giulia Diglio, Maria Assunta D'Oronzio, Franco Gaudio, Mariacarmela Suanno	The efficiency of agricultural spending in Italy: A territorial analysis
Francesco Rampone, Fabio Lecca, Paolo Giolito, Massimo Romano	Blockchain in the agrifood sector: From storytelling to traceability fact-checking up to new economic models
Articles	
Alberto Bertossi, Stefania Troiano, Francesco Marangon	Financing for sustainable food systems: The role of the vending sector
Manal Hamam, Daniela Spina, Roberta Selvaggi, Gabriella Vindigni, Gioacchino Pappalardo, Mario D'Amico, Gaetano Chinnici	Financial sustainability in agri-food supply chains: A system approach
Giuseppe Timpanaro, Gaetano Chinnici, Roberta Selvaggi, Giulio Cascone, Vera Teresa Foti, Alessandro Scuderi	Farmer's adoption of agricultural insurance for Mediterranean crops as an innovative behavior
Lucia Briamonte, Dario Macaluso, Paolo Piatto, Mariagrazia Rubertucci	Trends and support models in public expenditure on agriculture: an italian perspective

Prof. Giorgio Bertinetti's note gives us a picture of the changes in the financing of SMEs, also following the financial and real crisis that began in 2007-2008 and that has profoundly transformed the way of acting of the financial and capital markets. In this context, Italian SMEs need to be aware of these changes in order not to be expelled from the market itself and to seize the important new opportunities emerging through new products and new intermediaries, which are also well suited to small businesses or even micro-enterprises.

Professor Mattia Iotti's note highlights how access to credit for farms is indispensable for financing their investments in both fixed and working capital in both fixed and working capital. But, as known, they have a number of difficulties, mainly because of their small size, lack of financial culture and difficulties in communicating with credit institutions. To facilitate relations between agricultural enterprises and lenders in Italy, several measures have been enacted, which over time have changed the regulatory framework of agricultural credit. The supply of credit lines is now extensive, even if the granting of credit favours larger and structured farms and credit is concentrated in a few Italian regions. Public intervention, through guarantees and the introduction of the revolving pledge, has favoured in recent years access to credit for agricultural enterprises. Furthermore, the recent increase in loans for ESG investments and the resulting regulatory framework can facilitate the financing of agricultural enterprises, enhancing their social role also in favour of smaller enterprises, cooperatives and enterprises in disadvantaged areas.

Assunta Amato, Tatiana Castellotti, Giulia Diglio, Maria Assunta D'Oronzio, Franco Gaudio and Mariacarmela Suanno's work assesses the efficiency of public agricultural expenditure in each Italian region through the analysis of regional budgets, both as a whole and in relation to specific agricultural policy measures. The degree of integration and complementarity between regional and Community funds of the second pillar of the CAP is also assessed in order to determine whether European resources are used by the regions to replace or in addition to regional interventions.

The contribution of Francesco Rampone, Fabio Lecca, Paolo Giolito and Massimo Romano aims to dispel the many misunderstandings about the blockchain and then illustrate the real opportunities that this technology offers to the "food system" and how it must be correctly implemented to be really useful, for producers, consumers and the various actors in the supply chain.

The agri-food system needs significant funding to start an ecological transition that includes healthy diets and the creation of local circuits and links, as evidenced by the article by Alberto Bertossi, Stefania Troiano and Francesco Marangon, which analyzes in this perspective the vending, whose importance, especially in Italy, is confirmed by its profits.

Historically, both the public and private sectors have invested very little in agriculture. The article of Manal Hamam, Daniela Spina, Roberta Selvaggi, Gabriella Vindigni, Gioacchino Pappalardo, Mario D'Amico and Gaetano Chinnici reviews the literature on financial sustainability and ethical investments in agriculture, the results of which indicate that the academic community has only begun to focus on these concerns in recent years. The aim of the work is to encourage more financial institutions, financial services managers, policy makers and universities to participate in sustainable development projects in the financial services sector.

Farms can experiment with different tools that can contain the impact of adverse events to protect production facilities, investments and income generated by farming. In this context, the study by Giuseppe Timpanaro, Gaetano Chinnici, Roberta Selvaggi and Giulio Cascone, Vera Teresa Foti, Alessandro Scuderi, conducted in Sicily on a sample of farms of different types to explain the decision-making process of farmers in adopting insurance offered in the preferential market.

Finally, the work of Lucia Briamonte, Dario Macaluso, Paolo Piatto and Mariagrazia Rubertucci, allows to identify, qualify and quantify the flows and patterns of expenditure that make up public support to the agricultural sector for the period 2010-2020, with the objective of providing answers to the main preliminary needs in the field of the actions carried out for the benefit of the sector (Briamonte *et al.*, 2022).

From what emerges from the debate conducted and from the work collected in this Special Issue, it is necessary, *on the demand side*, to resolve the ancient difficult relationship between farms and credit institutions: the data, in fact, confirm that larger farms have easier access to credit because they are more structured, with a greater ability to present themselves on the financial market, a greater confidence with medium-sized planning tools long-term and better ability to communicate their business strategies (Fontana, 2012); smaller enterprises, on the other hand, have a poor financial culture, necessary to finance their investments in both fixed and working capital, and difficulties in communicating with credit institutions, hence the need for literacy in the relationship with the world of credit and in the presentation of business projects. The data also confirm the concentration of access in just 4 few Italian regions (north-east): there is a segment of Italian farms that are very fast from a performance point of view. Moreover, the orientation law has produced three different types and speeds that require reading, modelling and benchmarking work.

On the supply side, the banking logic underlying the granting of credit has changed. Investors' awareness of everything that is an investment linked to the circular economy and that highlights environmental and social sustainability has increased. This provides an opportunity for farmers to

invest in their ecosystem services. There is an increase in loans for ESG investments for agricultural enterprises, which also enhances the social role of smaller enterprises, cooperatives and enterprises operating in disadvantaged areas.

There are many products currently made available by the banking system, even if, in Italy, the capital market – especially for venture capital – is still a fairly limited market. Of great interest, is the opening towards bond issues in mini-bonds of small size and quasi-equity instruments, especially for the crisis phases, such as the one we had in recent years and, for the financing of small businesses.

The banking system, on the other hand, moves from a logic based on guarantees of a patrimonial nature, to one based on financial sustainability and therefore it is necessary to overcome the information opacity that characterizes especially very small enterprises, in the absence or lack of balance sheets and lack of a credit history.

This logic makes it necessary:

- correct analysis of sectors and markets;
- the construction of business plans calibrated on the phases of the life cycle of the company and, therefore, the construction of financing instruments for the different phases of the business cycle;
- the construction of systems capable of predicting insolvency, not only on the basis of so-called hard information but also soft information;
- the construction of an “active relationship” bank-enterprise, through which to share and build the business project to be financed;
- the construction, also, of a dialogue with the institutions in the design of the measures, such as to be operative also in terms of adequacy with respect to credit assessments.

In this context, public intervention is fundamental and linked to the availability of credit and, requires actions aimed at sustainability, equity, stabilization of incomes, competitiveness of supply chains: all objectives that go in the direction of improving the creditworthiness of an enterprise.

There are many different types of measures implemented by the State in support of enterprises to facilitate access to credit, including:

- introduction of the rotary token;
- PAC, agricultural “de minimis” (Decree-Law 21/2022 in Article 19 renegotiation and restructuring of agricultural loans);
- Decree Cura Italia (March 2020);
- new Temporary Framework, Decree-Law No. 50 of 2022, the so-called Aid Decree (n.d.r. Decree-Law 21 March 2022, n. 21);
- significant resources managed by ISMEA to encourage the release of guarantees in support of financial loans;
- small and medium-sized enterprises fund;

- debt restructuring, Decree Ukraine;
- PNRR: 1 billion and 200 million supply chain contracts, 1 and a half billion for the Agrisolare park, 800 million for logistics, 880 million for irrigation infrastructure, 500 million for mechanization;
- Bank of the Earth;
- Women in the Field;
- More Enterprise Young and More Enterprise Women.

In this context, a crucial role is played by the Regions, to create the conditions for which local economic policies can help overcome the fragmentation of intervention schemes: it would be desirable to have a national scheme at territorial level, because this leads to economies of scale, new legal instruments and new technologies.

In conclusion, the signs of economic recovery and the availability of resources and financed products are indispensable factors for the growth of any productive activity and, therefore, also for agricultural enterprises. These factors allow agricultural enterprises to invest and develop according to the quality requirements that lead to the evolution of the agri-food system. The agricultural enterprise should avoid the economic-financial risk generated by the aleatory nature of its production cycle and by the contractual weakness towards the input and output market. Innovation in agricultural enterprises, also through appropriate investments, should be realised with alternative forms of self-financing. To this end, it is necessary to develop an ability of the company to adequately combine endogenous and exogenous financial sources, both as a strategy to overcome periods of liquidity shortage, but above all to support suitable investments for its growth. On the other hand, Italian credit institutions must become more aware of the specific characteristics of agricultural enterprises in order to prevent them from being excessively penalised in the granting of credit.

The articles presented at the SIEA Conference and the debate helped to determine an analysis and perspectives of intervention to model the peculiarities of the agri-food system farms and the credit needs that must be met with simple tools, tables of values, standard costs and above all exemplify what may be the economic results – improve the bank-enterprise relationship, but also the management of businesses and their financial education.

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