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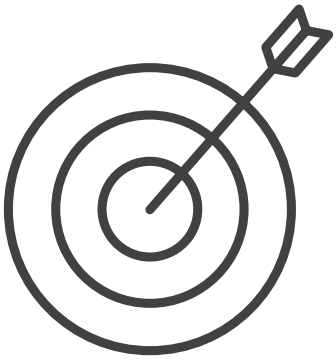
Factsheet
June 2026

CAP financial instruments and lending schemes for young farmers in the EU

European Commission

European Investment Bank | Advisory

CAP financial instruments and lending schemes for young farmers in the EU



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Introduction

Europe's **generational renewal in agriculture** faces an urgent challenge: only 12% of farmers in the EU are under 40 years old. The European Commission set a target to double this share by 2040 in its recently published Strategy for generation renewal in EU agriculture. Achieving this goal is essential for the medium- to long-term sustainability, competitiveness and resilience of the sector. Access to finance is a key factor affecting the entry of new people and ideas into agriculture. However, over the past decade young and new farmers have encountered multiple structural and financial barriers in establishing farms, pursuing their business intentions and contributing to the sustainable development of the sector.

The financial **barriers are often interlinked**, including the difficulty for young farmers to invest in land ownership from the outset, insufficient collateral when applying for bank loans, an over-reliance on asset-based lending, as well as a lack of credit history and formal records. Profitability is often weakened by many external factors and developments, high income volatility in the early years and small initial farm sizes limiting growth. Recent challenges also include financing sustainable or green transitions, climate change with floods, drought and early frost, as well as the limited availability of adequate advisory support on financial skills and aspects.

European and national policies – in particular the Common Agricultural Policy (CAP) – offer a flexible toolbox that complements traditional grants with targeted **financial instruments** to overcome financing hurdles for young farmers. In contrast to subsidies, financial instruments such as guarantees, risk-sharing loans, microcredits, public loan funds and equity-like investments can mobilise multiple times more funding and be tailored to the unique risk profiles of young farmer projects. When **combined with grants**, or in a **blended finance** approach, these instruments can improve affordability and reduce risk for both farmers and lenders, while addressing structural constraints such as limited collateral, high upfront investment needs and income volatility in the early years.

This factsheet provides an overview of **innovative financing practices** in the EU that can unlock the potential of young and new farmers. Rather than focusing on broad policy aspirations, it highlights concrete mechanisms. These range from EAFRD financial instruments such as (capped portfolio) guarantees and state-backed loan products to equity funding and incubator programmes, among others. By examining practical examples, the publication highlights how to **design and implement financial solutions that enable young farmers to start, sustain, and grow their businesses**, contributing to generational renewal in EU agriculture. These approaches can be replicated in different EU economic and agricultural situations and deliver successful outcomes.

This factsheet builds on insights from a **dedicated roundtable discussion** with young farmers and financial institutions in March 2026, complemented by targeted consultations with market participants. These exchanges provided practical perspectives on the effects of financing barriers and how they are addressed in lending practice. The findings highlight recurring challenges and needs for young farmers while also pointing to **existing market practices and examples of existing financing mechanisms**.

The examples in this factsheet are not exhaustive. They highlight selected approaches to financing young farmers, without aiming to cover all existing products or initiatives, and should be seen as a source of inspiration rather than a complete overview.

01 CAP Financial Instruments

The CAP toolbox is rich and offers significant financial support to EU young farmers. Measures include direct payments, coupled income support, set-up grants, support for investments, cooperation, risk management, training, advisory and more. One element is highlighted here, the possibility for Member States to **create and implement financial instruments** (such as loans, guarantees, equity, etc.) under their **CAP Strategic Plans 2023 – 2027** and under the future CAP post-2027.

Main CAP financial instruments

Guarantee instruments, especially capped portfolio guarantees, are an efficient way to use limited public resources to attract private bank finance that supports public policy objectives. They can provide a cushion for financial institutions to expand into riskier, more vulnerable or less familiar segments, such as young and new farmers, without taking excessive risk in a competitive market with tight regulations.

Loan instruments can be a risk-sharing tool, structured with tailored features such as longer maturities, grace periods or reduced collateral requirements, making them better suited to the specific investment cycles and risk profiles of young and new farmers. A high-impact and high-risk taking fully public loan fund can be implemented through public or private financial institutions willing to deploy their institutional capacity and competence to open up a new market or expand an existing one.

Equity instruments could be useful for high value added business models. Typically implemented through timelimited participation, such instruments give farmers space to establish operations, build assets and demonstrate viability before buying back shares and transitioning to conventional bank finance. However, equity instruments are more complex to design and manage, requiring specialised expertise, clear governance and an acceptance of shared ownership by young farmers, which can constrain scalability.

Combinations of financial instruments with grants such as interest rate subsidies, technical assistance and capital grants can make finance (more) affordable for young and new farmers, and can boost their investment projects. They are often embedded as an incentive to promote higher value-added projects.

In the current programming period[1], **13 Member States[2] have programmed EUR 1.1 billion** for loans and guarantees under their CAP Strategic Plans, of which **EUR 688 million are EAFRD** resources, the rest being national co-financing. These financial instruments are mostly programmed as investments or for setting-up young farmers new farmers and rural business start-ups[3].

1 As at 7 May 2026.
2 Bulgaria, Croatia, Estonia, France, Greece, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia and Spain.
3 The resources planned under the Cooperation intervention are limited to two Member States, while no Member State has foreseen financial instrument support for risk management.

CAP/EAFRD financial instruments dedicated to **setting up young farmers** are **planned by seven Member States** (Bulgaria, France, Greece, Latvia, Lithuania, Malta and Spain) with a budget of **EUR 76 million** (of which EUR 53 million are EAFRD). Young farmers setting up on a farm may receive significant support through financial instruments with **no restrictions on purchasing land**. At the same time, young farmers are eligible for support from all EAFRD financial instruments programmed for investments, which account for about 90% of the total budget for CAP financial instruments. CAP provides for a **maximum support rate of 80%** for young farmer investments (compared to 65% for other farmers). Within the 80%, a Member State can include **combined capital grants** up to 50% of the combined loan and grant support for the final recipient which can be paid even at the beginning of project implementation.

Accordingly, Member States can introduce flexibilities and favourable conditions to further boost support for young farmers and stimulate their access to finance. In France, young farmers receive a higher support rate up to 80% under financial instruments that support productive farm investments. For **loans**, benefits include **preferential interest rates** or even a zero-interest loan, reduced personal guarantees, **preferential conditions** on repayment deferrals and loan maturities, as well as partial repayment of the interest if objectives are achieved. In Estonia, growth loans, long-term investment loans and **stand-alone working capital** are foreseen for young farmers and start-ups under its EAFRD financial instruments. Benefits include lower interest rates, lower guarantee rates, longer repayment periods, etc.

Guarantee instruments are also evolving into a key financing tool for young farmers, moving from broad and cautious schemes in the 2014-2022 period towards more targeted and ambitious designs under the 2023-2027 CAP Strategic Plans. They **reduce lender risk and ease collateral constraints**, which are substantial barriers preventing young farmers from obtaining credit. In Greece, for example, a guarantee instrument has resulted in 82% of transactions not requiring additional collateral. The new generation of instruments goes further by adding standalone working capital, interest-rate subsidies, stronger technical assistance and a **dedicated young farmer guarantee instrument** that will also support **unlimited land purchase** and combine guarantees with **capital grants and technical assistance**. In France, farmers will from preferential interest rates, lower personal borrower guarantees, reduced or even zero cost guarantees, reduced application fees, preferential conditions on repayment deferrals and higher risk taking by the bank. Poland's upgraded Agromax model similarly illustrates how guarantee schemes can better serve young farmers, notably by coupling the guarantee with a **100% interest-rate subsidy**. This has resulted in very high uptake with young farmers representing around 70% of the guaranteed portfolio. Spain, meanwhile, has an effective delivery structure with its centralised guarantee instrument, initially tested in three pioneering regions. This has generated confidence and the experience to enable broad regional expansion to 10 regions in the new period, with all but one dedicating allocations for young farmers.

As mentioned above, Member States may **combine financial instruments with grants** such as interest rate subsidies, guarantee fee subsidies, or capital grants. Recently, **capital rebates** have been gaining popularity among EAFRD managing authorities. These offer quick provision of the entire investment amount, preferential loan conditions and a performance oriented approach under which significant part of the loan is written off when conditions such as performance, or completion of the investment are met. The rebate is a significant boost for the young farmer's balance sheet and income. It stimulates the setting up and investments of young farmers, to help newcomers start businesses and grow them as well as providing financing for a transition to sustainable agriculture. The first EAFRD managing authority to introduce capital rebates was in Latvia, for projects relating to primary agricultural production aiming to develop and adapt agriculture with modern agricultural infrastructure. Loan maturities are up to 20 years.

In the **next MFF** financial instruments under CAP will remain **voluntary**. Following significant legal simplifications, their **programming will be faster** and **set up will be easier** reflecting market needs. Young farmers will continue to benefit from the ability to buy unlimited agricultural land through financial instruments. Aid for setting up under financial instruments will continue to be EUR 300 000 per project estimated as a gross grant equivalent. **Favourable loan and guarantee conditions** will be possible. **Equity funds** may also be established by Member States if, for instance, co-investments with young farmers to purchase farms (especially large ones).

The **need to boost generational renewal in the EU** and **difficulties in access to finance for young farmers** for over two decades need to be addressed in the upcoming national strategies for generational renewal. CAP financial instruments must be considered as a potential option to de-risk investments, attract private capital and generate value-added. Advisory and market related documentation may be found on the fi-compass website and will continue to be produced to help Member States launch CAP financial instruments that benefit farmers.

02 Integrated approach to support young farmers

The Strategy for Generational Renewal in Agriculture sets a comprehensive policy framework to make farming more **accessible, competitive and future-proof**. It offers Member States an **integrated approach** to help better coordinate measures across agricultural, rural, social, fiscal and innovation policies, ensuring that young and new farmers receive consistent, long-term support. The key is to make it easier for young people to begin and stay in farming.

The **Starter Pack for Young Farmers**, proposed by the Strategy and now part of the new MFF proposal[4] for CAP will offer a single-entry point at national level, bringing together funding, training and advisory services. Combining various obligatory elements, it also includes the possibility of financing investments implemented by young farmers through financial instruments.

These elements are a clear sign that success and impact in generation renewal can only be achieved if there is a **holistic approach** that allows the new entrants – young farmers – to gain quick and immediate access to information and support. Such approaches are necessary from national and regional authorities, as well as from financial institutions to enable fully-fledged support ensuring longer term successful futures for young farmers.

Targeted solutions vary across institutions. Recognising the fundamental role of agriculture, and within that of young farmers, is key to developing a business policy and corresponding implementing structure that can cater for the needs of this segment.

In that context, integrated approaches by financial institutions can play a decisive role in supporting young farmers because the **barriers they face are rarely in isolation**. Access to finance is closely linked to broader challenges such as limited collateral, difficulties in accessing land, the need to build business experience, and the increasing pressure to invest in sustainable and climate-resilient farming models from the outset.

The most effective responses **combine financial products with advisory support, tailored risk assessment, business development services and broader sectoral partnerships**. Such approaches enable financial institutions to move beyond standard lending models and create support systems that are better aligned with the realities of entering agriculture today. In practice, this may include dedicated loan products, preferential conditions, guarantees, leasing, coaching, mentoring, digital tools, as well as collaboration with public institutions, educational bodies and specialised intermediaries. Bringing these elements together can **improve the bankability of young farmers and the long-term viability** of their businesses, while also contributing to wider objectives such as generational renewal, rural development, innovation and the green transition in agriculture.

Some financial institutions, usually with a longstanding history in financing agriculture, have developed robust, integrated systems and services to facilitate access to finance for young farmers. An example from **Credit Agricole** in France is presented below.

4 Article 16 of COM/2025/560 final.

With more than 140 years of history alongside the agricultural sector, Crédit Agricole holds a leading position in the French agriculture market. The group supports 8 out of 10 farmers, representing around 300 000 farms, and relies on a strong local presence through its 39 Regional Banks and 2 500 specialised advisors. Crédit Agricole has placed generational renewal into the core of its long-term strategy which is reflected also in financial and advisory product development.

For guarantees, the group relies on the new external **French National Agricultural Initiative (INAF) II programme** signed with the European Investment Fund (EIF) in May 2025, aimed at supporting farm set-up and the agro-environmental transition. It also offers **internal guarantees** to the Regional Banks on competitive terms. The objective is to facilitate access to credit while securing risk-taking on projects that are often capital-intensive from the outset.

This offering is complemented by initiatives designed to ease the financial burden during the first few years (see the ***Agri-Viti* zero-interest loan** in the 'Financing first-time farmers without credit history' section and summarised in Figure 6).

At the same time, Crédit Agricole is testing a **quasi-equity instrument** backed by an initial EUR 10 million to strengthen farmers' balance sheets without diluting capital. This eases outstanding bank debt and instalments in the early years of a project by offering the possibility to defer capital repayment and pay only interest. This quasi-equity solution will help strengthen the financial structure of agricultural holdings.

Beyond financing farm set-up, Crédit Agricole has an ecosystem of services that extends its value proposition. ***Agilor*** is a **digital agricultural equipment financing solution** offering a 100% digital process, an immediate response and a high level of service. ***Trajectoires Agri*** is a **strategic dialogue tool between the advisor and the farmer**, enabling customer insight, cash-flow forecasting, succession planning and transition support.

Crédit Agricole has also introduced ***Pleinchamp***, a **relational information ecosystem** dedicated to the agricultural sector. Through its website, mobile application and newsletter, Pleinchamp is a continuous communication channel with and between farmers. It provides trusted information on weather, agricultural news and market developments. As of February 2026, Pleinchamp ranked first among agricultural websites in France, with 67 million annual page views.

03 Unlocking land access as a prerequisite for farm establishment

The Strategy for generational renewal in EU agriculture **states** clearly that gaining **access to farmland is one of the biggest obstacles** facing Europe's young farmers today. Land is the basis of agricultural production and limiting access constrains output and farm income, making it difficult to launch start-ups and develop them to reach economic viability. Young farmers need access to land, preferably through ownership or long-term lease, to enable strategic thinking and investments in sustainable methods and land management.

Farmland has become increasingly scarce and expensive in many regions in Europe, making it very difficult for a new entrant to purchase a farm that would generate sufficient returns to service loan repayments.

Beyond cost, other land-related factors increase the challenge. In some Member States, existing farms hold large portions of land, reducing the parcels available for newcomers. In contrast, in others, **land ownership fragmentation** can make it hard for young farmers to assemble enough land to achieve viable scale. Additionally, **land tenure insecurity**, for example due to short-term or informal leases, discourages long-term investments.

Generational issues also play a role. Many **old farmers are postponing retirement** and holding onto their land as an asset, as a form of social or personal security, or due to its emotional value, delaying the transition of farmland to the next generation.

Land access and financing are tightly linked. To buy land, young farmers usually need substantial loans, but **banks are often reluctant** to lend or may finance only a portion of the purchase, expecting the buyer to provide a large down payment for the rest. However, young farmers rarely have such resources. Even those who have land or assets find that farmland value is sometimes heavily discounted by lenders or already pledged to previous mortgages.

The consequence is a classic catch-22: to borrow money to buy land, the young farmer often needs to already have land or significant equity or savings. This is made worse by the **low profit margins** and higher **income volatility** in farming, which limits repayment capacity. Some financial institutions note that these conditions imply that **unusually long loan tenors** (even beyond 25 years) would be necessary for farmland purchases to be affordable for young farmers. Moreover, young farmers often must finance land and other start-up investments simultaneously, meaning their capital needs are much higher and large at the outset.

Recognising their strategic importance for generational renewal, public authorities and financial institutions have developed targeted interventions that directly help young farmers acquire and retain land. Unlike traditional loans that often emphasise a borrower's existing assets (to be used as collateral, which is a separate issue discussed later in this paper), some financial institutions offer **dedicated products**, or products with **special features** designed specifically **around land access**. These include features that directly tackle the core barriers – be it high purchase prices, lengthy payback times, or young farmers' lack of capital.

Some solutions offer young farmers **long-term loans** to buy farmland outright, often with patient repayment terms, including substantial a grace period and affordable conditions that align with farm incomes. Repayment schedules that match the slow returns of farming, make land purchases feasible even with limited initial income.

The following examples – notably **ALTUM's Land purchase loan in Latvia**, the ***Generazione Terra* loan provided by ISMEA in Italy** and the **targeted facility by Piraeus in Greece** – illustrate how long-term financing, leasing arrangements and subsidised conditions can reduce entry barriers and enable access to land without significant upfront capital.

ALTUM's Land purchase loan in Latvia (see summary in Figure 1) is a specialised mortgage scheme by Latvia's state-owned development financier. ALTUM provides up to **100% financing for land acquisitions** (including meadows) with the land itself as security and unique loan maturities up to 30 years. Young farmers, including those just setting up, benefit also from **generous grace periods** of up to three years, whereas older farmers must start repaying immediately. Purchase of buildings is also eligible, if the value is below 30% of the land value.

The **high maximum loan amount** could enable the acquisition of 100-200 hectares of agricultural land, but the average loan has generally covered 15-20 hectares.

Another feature only offered to young farmers is the **deferred income criterion**, whereby young farmers have until the fifth year of the loan to meet the required farm income-per-hectare threshold, whereas older farmers must satisfy income/ha requirements from the outset.

Figure 1: Example of supporting land acquisition in Latvia.

Loans for purchase of agricultural land

Financial Institution

altum
Latvijas Attīstības finanšu institūcija

100% state-owned financial institution providing finance in priority areas.

Product

Loan product with **national** support targeting young and new farmers with special features to **purchase agricultural land**, implemented under the agricultural de minimis framework.

Product features

Max. loan amount EUR 1 million	**Interest rate** ~6-7% (as of June 2026) (fixed or floating)	**Collateral** Purchased land
Maturity Up to 30 years	**Grace period** Up to 36 months	**Additional flexibility** Required income threshold/ha to be met only by year 5

Product with special features

Key benefits for young farmers

- **Longer grace period**
36 months vs. no grace period
- **Deferred income criterion**
After year 5 vs. from year 1

Eligibility conditions

- At least 60% of farm income must come from agricultural activities;
- Family land purchases allowed only for inheritance buy-outs;
- Overgrown or unmanaged land must be restored within two years;
- Land purchased with the loan may not be leased out;
- Land must remain in agricultural use for the full loan duration;
- The farmer must apply for direct payments.

Source: fi-compass.

The product means a young farmer can buy farmland without any initial own contribution (100% financing), delay repaying the capital (year 3) and meet the stricter eligibility conditions (year 5) for ultra-long-maturity loans, as the farm grows. The instrument is implemented **outside the CAP framework**, using national resources under a State aid (*de minimis*[5]) framework.

ALTUM also enables young farmers to access **preferential financing conditions** under **investment loans** supporting the development of small farms (with annual turnover below EUR 250 000). The scheme offers loans up to EUR 250 000 without any limit on land purchase for young farmers, in accordance with the flexibility offered by the CAP Strategic Plan Regulation[6] for financial instruments. The loan has a heavily subsidised interest rate of 3% with a maturity up to 15 years and the purchased land is accepted as collateral.

Outside these schemes, Altum plays a strategic role in Latvia by facilitating access to land and land-based financing by operating the **Land Fund** since 2015. The Fund buys land at market prices and either rents it out or leases it through a 5-year contract with a buyback clause for the original owner. In lease contracts, the Fund pays 90% of the market price of the land and charges 6.5% annual rental to the original owner (to be paid on a quarterly basis). This enables farmers to **access liquidity quickly** (evaluation and approval is within 30 days) and still **use the land for production**. Young farmers can have preferential rent conditions, similar to previous and adjacent owners. At the end of the 5- year period, the farmer can buy back the land at the market price at the time of the purchase. A repeated 5-year lease can be requested, but at a lower 72.5% of market price with a buyback at 85% of market price when purchased.

The second example is from **ISMEA**, Italy's public agricultural finance agency, that **relaunched its lease-to-own scheme, *Generazione Terra***, in April 2026 with an allocation of EUR 120 million (see summary in Figure 2).

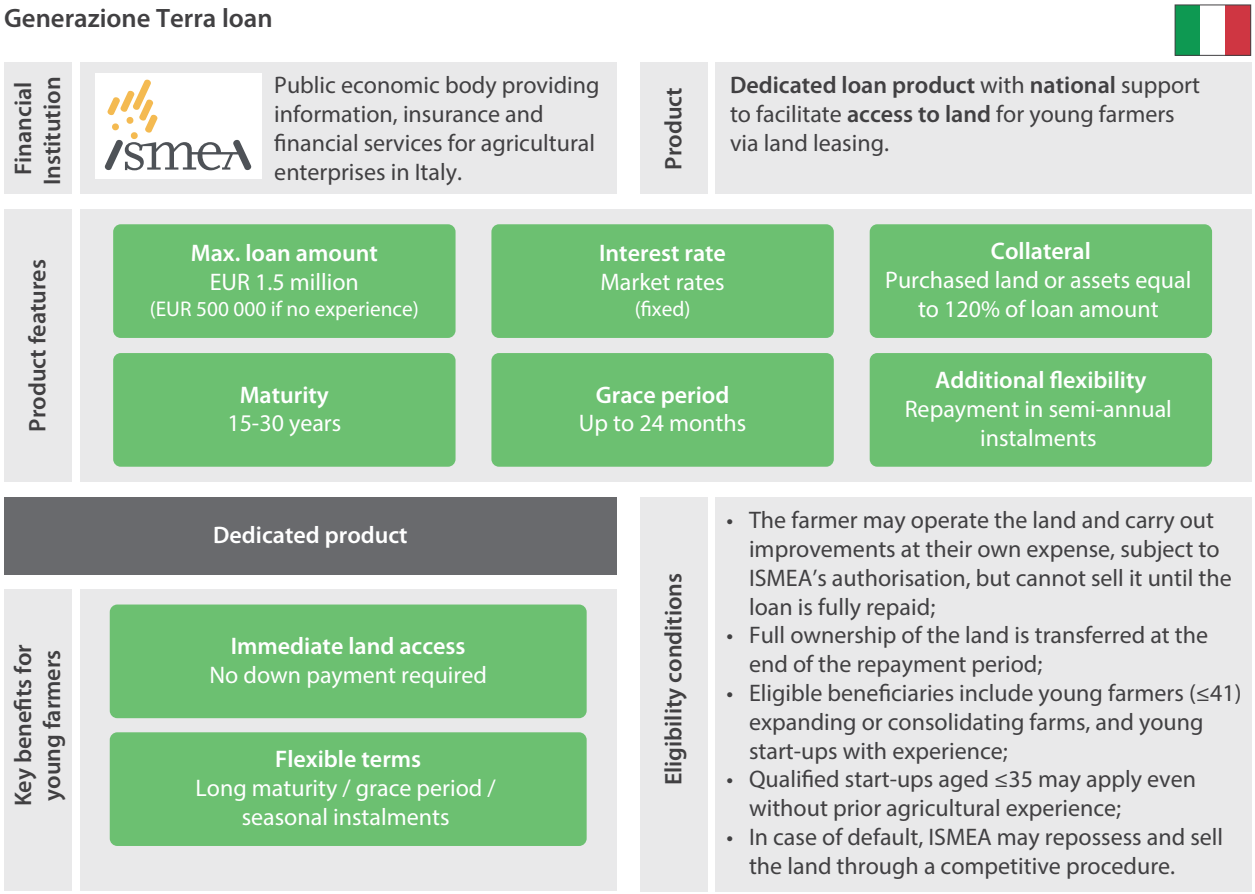
This programme is a **dedicated land-access instrument** reserved exclusively for young farmers. It tackles the upfront cost barrier by having ISMEA purchase farmland on behalf of an eligible young farmer, who then leases the land with a commitment to buy it over 15-30 years.

The young farmer runs their farm from day one, paying **semi-annual instalments** (similar to rent) to ISMEA. The farmer cannot sell it until the initial loan is fully repaid. Depending on the contract, land access is secured either through a **standard mortgage arrangement**[7] or **retention-of-title**[8], under which ISMEA remains the legal owner until all payments have been made.

In addition to a grace period, young start-up farmers can also apply for a **CAP start-up grant** (up to EUR 100 000) toward their instalments[9].

5 Commission Regulation (EU) 1408/2013.
6 Commission Regulation (EU) 2021/2115.
7 Up to EUR 300 000 or above EUR 1.5 million.
8 Between EUR 300 000 and EUR 1.5 million.
9 Disbursement of the grant is as follows: until the business plan has been verified and no later than 36 months from approving the grant, ISMEA will disburse 60% in equal parts, reducing the amount paid by the beneficiary, up to 70% of each instalment. The 70% limit is increased to 90% for operations in island or mountainous areas. The remaining 40% of the grant will be paid within the above limits as a reduction and within the limits of the residual principal debt, after ISMEA has verified that the business plan has been implemented.

Figure 2: Example of supporting land acquisition in Italy.



Source: fi-compass.

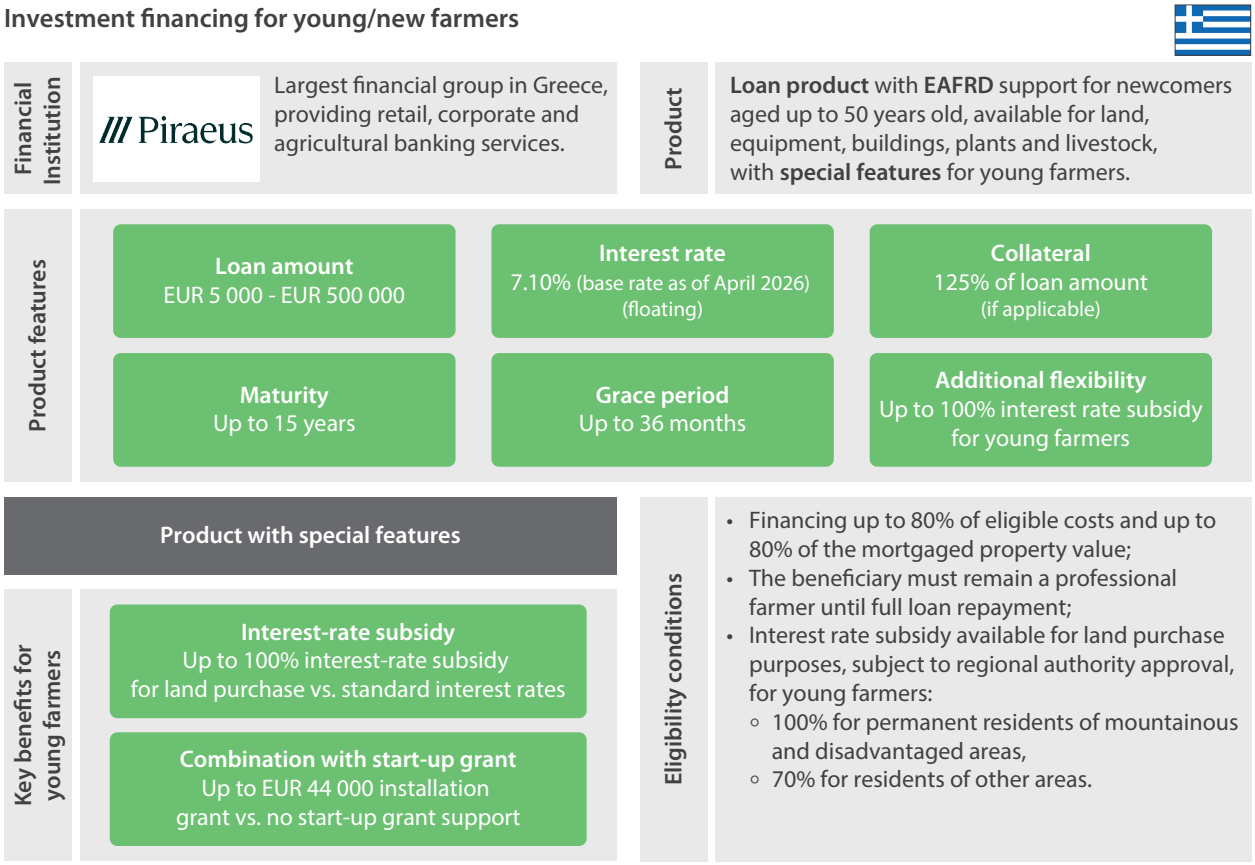
By spreading the purchase over many years, ***Generazione Terra*** enables young farmers to access land immediately and invest in it, **without a large mortgage or down payment**. If the beneficiary defaults, ISMEA is entitled to quickly recover the land and sell it through an open competition.

Under the ***Generazione Terra*** loan young start-up farmers can **access land finance without an established record**, although they initially fall into the highest risk category (implying a risk premium of 2.20%), which can later be revised once after the fifth year of the loan.

Piraeus in Greece has deployed has a **financing product for young and new farmers** (see summary in Figure 3). The product serves young farmers (up to 40 years old) and older new farmers (up to 50 years.). The loan supports purchases of land and mechanical equipment, agricultural building purchase and construction and the acquisition of plants and farm animals.

For young and new farmers up to 40 years of age purchasing arable land, an **interest rate subsidy** of up to 100% can be approved by the Directorate of Agricultural Economy and Veterinary Medicine of the Regional Unit to which they belong. The full subsidy is only for permanent residents of mountainous and disadvantaged areas and 70% for residents of other areas.

Figure 3: Example of supporting land acquisition in Greece.



Source: fi-compass.

Piraeus has also been selected as a financial intermediary for the **micro-loan fund** as well as the **guarantee fund under the Greek Rural Development Programme** (2014-2022). Under the **CAP Strategic Plan**, Greece is planning to continue both instruments with improved conditions. The risk-sharing micro-loan fund will provide loans with maximum increased from EUR 25 000 to EUR 50 000, including **standalone working capital element** (up to 100% of the loan). Maturity is increased from 7 to 8 years, while the interest rate remains 0% for the EAFRD part and the other part 100% subsidised for 2 years. The guarantee fund will also support loans including standalone working capital with an interest rate subsidy of 4% for 4 years.

Furthermore, responding to the ex-ante assessment and experience in the previous period, Greece is planning to introduce a **new guarantee financial instrument dedicated to young farmers under the CAP Strategic Plan**. The instrument will guarantee up to 80% loans for EUR 10 000 - 50 000 with a portfolio cap rate of 25%. The repayment period is up to 15 years and young farmers can request grant support up to 80% of the loan value, i.e. up to EUR 90 000 support will be available (EUR 50 000 loan and EUR 40 000 grant).

Reflecting its importance based on experience, **Greece increases the combined technical assistance support from EUR 300 to EUR 800** for all planned new financial instruments under the Greek CAP Strategic Plan.

04 Curbing collateral as the cornerstone of credit risk assessment

Access to **land and collateral constraints are closely interlinked** challenges for generational renewal. Land is a key asset required by banks as collateral when young farmers apply for finance. Most lenders consider tangible assets such as **land and buildings as the most reliable security** for farm loans, alongside urban property. By contrast, leased land, rented equipment and often even livestock are generally not accepted as collateral, which creates a significant barrier for many start up farm businesses.

In the roundtable discussion, financial institutions consistently emphasised the importance of **collateral**, frequently requiring pledged assets whose value exceeds the loan. This makes it difficult for young farmers if they lack substantial personal or family-owned assets. **Generational farm takeovers** – where family land or property can be used as security – are typically seen as far less risky than starting a new farm without such backing. This creates an **unequal access to finance**, with young farmers from outside farming families facing particularly high barriers.

At the core of the issue is the **limited asset base** of most young farmers. Their resources are often limited to small equipment or livestock, while farmland – the main potential asset – may not be owned at all or carries a low formal value based on estimations by the banks. Consequently, banks struggle to fit these cases into standard risk models which rely heavily on asset-backed guarantees to minimise potential losses.

As highlighted by participants in the roundtable, the usefulness of **CAP direct payments as collateral** also depends on their predictability, as lenders are less inclined to rely on them when they are uncertain.

A range of **financial instruments and practices are emerging to loosen the grip of collateral** on lending, ensuring that viable projects by young farmers can be financed even without substantial assets. The most prominent approaches include public guarantee schemes, risk-sharing facilities, micro-finance products and specialised evaluation methods that focus more on cash flows and project quality than on hard collateral. These solutions vary in design, but share a common aim: to **mitigate lender's risk** and encourage lending based on **business potential** rather than the borrower's assets.

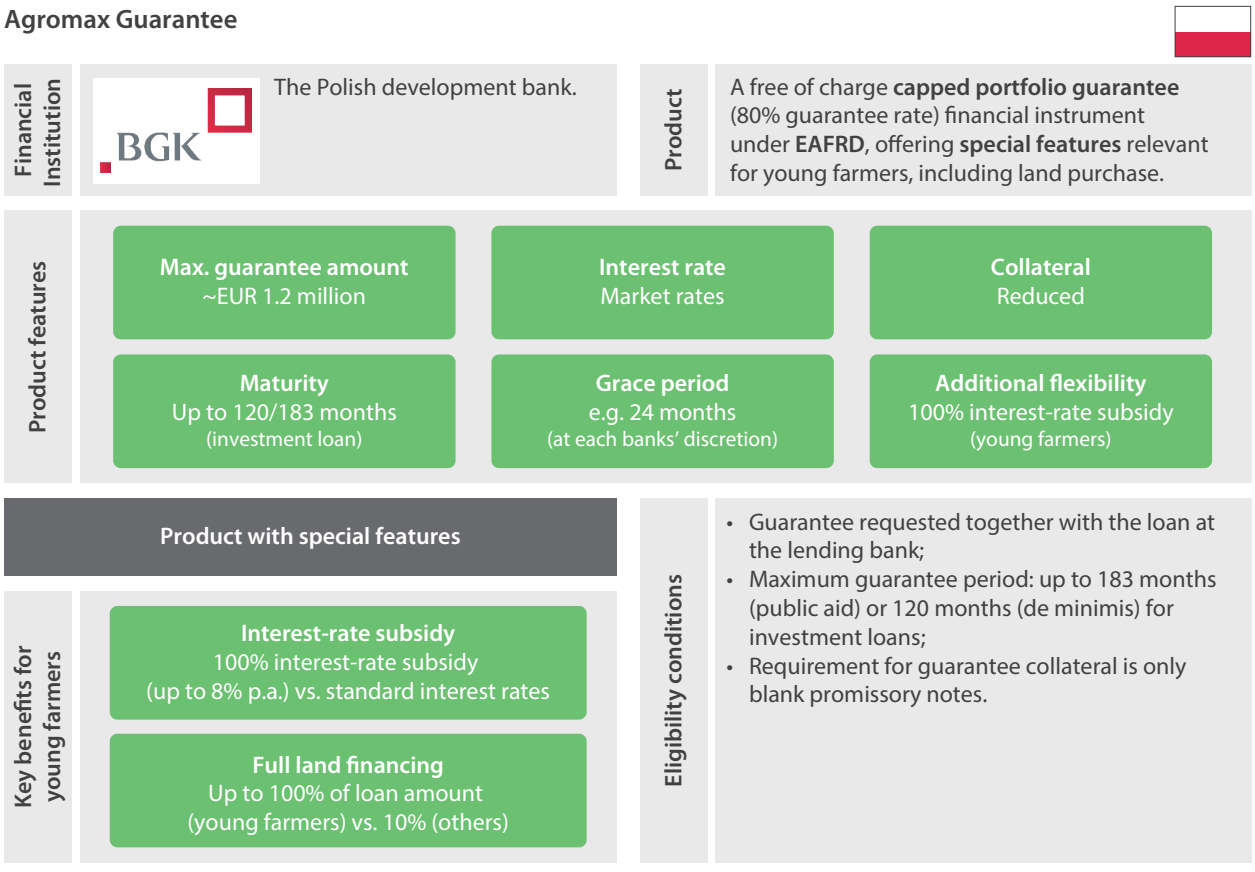
Among these, **guarantees have been particularly effective**. By covering a large portion of potential losses, loan guarantees provided by public entities (national guarantee funds or EU-level facilities such as those managed by the EIF or created under the EAFRD) allow banks to extend credit to young farmers with little or no collateral by effectively substituting the missing security. A guarantee on a portfolio of loans, means the bank's potential losses are mostly covered by the guarantor, enabling it to relax its usual collateral demands. Such schemes have been widely adopted across Europe; many banks now cite capped portfolio guarantees as an essential tool to reduce collateral requirements for young farmers.

In addition, **counter-guarantees** – where a supranational entity (such as the EIF, holding a AAA rating) guarantees a national guarantee fund – can further increase lenders' confidence by diversifying risk, encouraging them to offer credit at lower collateral thresholds or none at all.

A notable example is the **Growth & Sustainability Loan Scheme in Ireland (GSLS)**[10], that **diversifies risk across multiple layers** banks' confidence. Under GSLS, the EIF provides a counter-guarantee to the national promotional bank (The **Strategic Banking Corporation of Ireland**), which in turn guarantees loans made by commercial banks. This risk-sharing structure means lenders can **offer long-term loans** with up to **64% public guarantee** coverage and **no collateral requirement** for loans up to EUR 500 000, enabling young farmers and SMEs to access affordable credit without the need for substantial assets as security.

As a risk sharing instrument, the new ***Agromax* Guarantee in Poland** (see summary in Figure 4) was launched in 2024 as a follow-up to the 2014-2022 Agromax EAFRD guarantee for investments and working capital under the Polish RDP. This EAFRD financial instrument is an uncapped portfolio guarantee provided by the Polish Development Bank (**Bank Gospodarstwa Krajowego, BGK**) on the basis of EAFRD and national co-financing under the Polish CAP Strategic Plan 2023 - 2028.

Figure 4: Example of collateral relief via guarantees in Poland.



Source: fi-compass.

10 fi-compass (2024): Growth & Sustainability Loan Scheme in Ireland.

Although not exclusively destined for young farmers, it includes **specific benefits** that make it uniquely supportive for them. The ***Agromax* Guarantee** offers a substantial risk buffer for banks. By guaranteeing 80% of a loan's value, it gives banks the confidence to approve larger and longer-term loans. Among the key benefits is the ability to **finance land purchases up to 100%** of the loan for young farmers, leveraging Poland's CAP Strategic Plan flexibility and waiving the typical 10% cap. In practice, the guarantee covers the majority of each loan, vastly **reducing the need for hard collateral** of the loan from the borrower, even up to zero own-security requirement on the guaranteed portion. This is vital for young farmers, who often lack significant assets.

The EAFRD financial instrument can support sizeable investment loans across different farming sectors and offers flexibility in both guarantee amounts and duration. The guarantee is free of charge, and an **integrated interest rate subsidy** offered – among others – for young farmers (covering interest up to ~8% per annum for 24 months) also keeps the cost of borrowing affordable.

Between July 2024 and February 2026, 944 guarantees totalling **EUR 130 million** have been provided to young farmers, approximately 70% of the ***Agromax*** portfolio.

A further example from France – the **French National Agricultural Initiative *(INAF)*** – illustrates how guarantee schemes can be scaled up and embedded within the banking system to reduce collateral constraints, while maintaining broad accessibility across farm sizes and investment types (see summary in Figure 5).

Figure 5: Example of an enhanced guarantee product supporting young farmer investments in France.

French National Agricultural Initiative (INAF)

Financial Institution

European Investment Fund

Part of the EIB Group, facilitating access to finance for SMEs, including farmers across the EU via financial institutions.

Product

The Initiative is a blended national-EU programme (**national** funds plus **EFSI** backing) featuring a **capped portfolio guarantee** instrument.

Product features

- **Max. loan amount** EUR 2.5 million
- **Interest rate** Below market rates
- **Collateral** Reduced
- **Maturity** Up to 10 years (guarantee)
- **Grace period** e.g. 24 months (at each banks' discretion)
- **Additional flexibility** Financing can include up to 30% working capital

Generalist product with relevant features

Key benefits for young farmers

- **Improved loan conditions** Free of charge guarantee transferred to farmers in preferential terms and conditions
- **Credit access for new entrants** 80% guarantee cushions lenders' risks enabling the financing of riskier projects

Eligibility conditions

- Eligible borrowers: both individuals and collective farm structures, as long as the financing is for agricultural activities;
- Priority target groups: Projects led by newly installed farmers, first-time entrants (no previous operations), or expanding farms needing significant financing;
- Eligible cots include: tangible and intangible investments, working capital linked to an investment (up to 30%), land purchase (up to 20%), farm takeover, including in a family context, second-hand equipment.

Source: fi-compass.

INAF is a capped portfolio guarantee instrument, launched in 2019, implemented by the **EIF** and financed by the national budget, which is further reinforced by EFSI resources. The product is not dedicated exclusively to young farmers, but prioritises **generational renewal** through projects generating higher added value and/or employment. A portfolio cap of 10.88% and loan guarantee coverage of up to 80% leverages the public resources 11 times.

The **free-of-charge guarantee** supported by the national budget and further backed by EFSI provides participating financial institutions with a cushion to stretch their risk appetite and offer preferential conditions where they otherwise could not. Within the preferential terms and conditions, is a transfer of the guarantee benefit to final recipients, which enables banks to **reduce collateral requirements** and extend financing to farmers with limited asset backing.

The loan is available, importantly, also to farmers organised in groups such as *French Groupement Agricole d'Exploitation en Commun* (GAECs). Beyond the general needs of sustainability projects, the instrument can finance working capital costs, company share purchases (including within a family) and second-hand equipment.

While the scheme is capable of financing **complex and large-scale investments** up to EUR 2.5 million, its relevance for smaller projects is equally important. Between 2019 and 2026, 60% of loans remained below EUR 100 000, demonstrating accessibility for smaller and more vulnerable farm segments. In response to strong demand from both participating financial institutions and the agricultural sector, the French state decided in September 2024 to increase the initial national allocation of EUR 54 million (complemented by EUR 45 million in EFSI resources), by EUR 171 million, raising the expected **total loan portfolio to EUR 3 billion** by end 2029.

Implementation results confirm the **strong uptake and reach** of INAF across the French agricultural sector. By April 2026, the instrument had supported around 10 500 projects with **EUR 1.5 billion in loans**, of which **73% benefited farmers under 40**. Financing is **predominantly long-term**, with an average maturity of some 150 months and 82% of loans exceeding 10 years. In terms of distribution, 57% of loans supported livestock projects and 43% crop production, and the instrument has achieved **full territorial coverage**, including overseas regions.

05 Financing first-time farmers without credit history

For many young farmers, the difficulty in accessing finance arises before a loan application is even submitted. They may have a sound idea, practical skills and strong motivation, but they often lack what lenders typically expect first: a **financial track record**. Starting a business or operating on a very small scale often means there are no formal financial statements, no established banking relationship and no credit history.

Without these signals, lenders have limited evidence to assess repayment discipline, management capacity or the likelihood that a proposed investment will succeed. In practice, this is an immediate barrier, as many institutions require at least two years of financial records or credit history simply to enter the appraisal process.

The scale of the problem was confirmed by the 2023 fi-compass survey[11]. Lack of credit history was the **second most common reason for rejecting loan applications** from young farmers (36%), compared with just 8% for farmers over 40 years. Lack of accounting records was reported by twice as many young farmers (18%) as farmers older than 40 (9%) as a barrier.

In many parts of the EU **informal arrangements** and **marketing channels** are still survival strategies in response to volatile incomes and narrow margins, especially for smaller farms.

When financial records are missing, the response need not be automatic rejection, but rather an adaptation of how risk associated with the loan application is assessed. Where young farmers cannot yet demonstrate performance through historical accounts, lenders can place greater weight on a credible business plan, verified cash-flow projections and a closer assessment of the proposed investment.

These approaches may become far more workable when backed by **EAFRD or a national guarantee instrument** that absorbs a substantial share of expected losses.

One effective strategy to finance young farmers without financial records is through **risk-sharing loan funds**, whereby public institutions co-fund or fully fund loans to young farmers to drive credit into an underserved segment. In some cases, fully public **loan funds** extend credit directly to young farmers, taking on the full risk in order to reach borrowers that conventional banks deem "unbankable".

Loan funds often operate under simplified conditions and have a greater risk appetite. They place less emphasis on past financial statements and credit history, allowing young farmers to prove their creditworthiness through performance rather than prior records.

In selected cases across the EU, certain institutions – particularly those with a social finance mandate – offer unsecured loans to young farmers **focusing on the business plan and projected cash flows** rather than existing assets and credit history. During the roundtable discussion, both practitioners and lenders emphasised the importance of pre-banking support, such as simplified business planning tools and advisory services. These help translate initial ideas into structured and financeable projects.

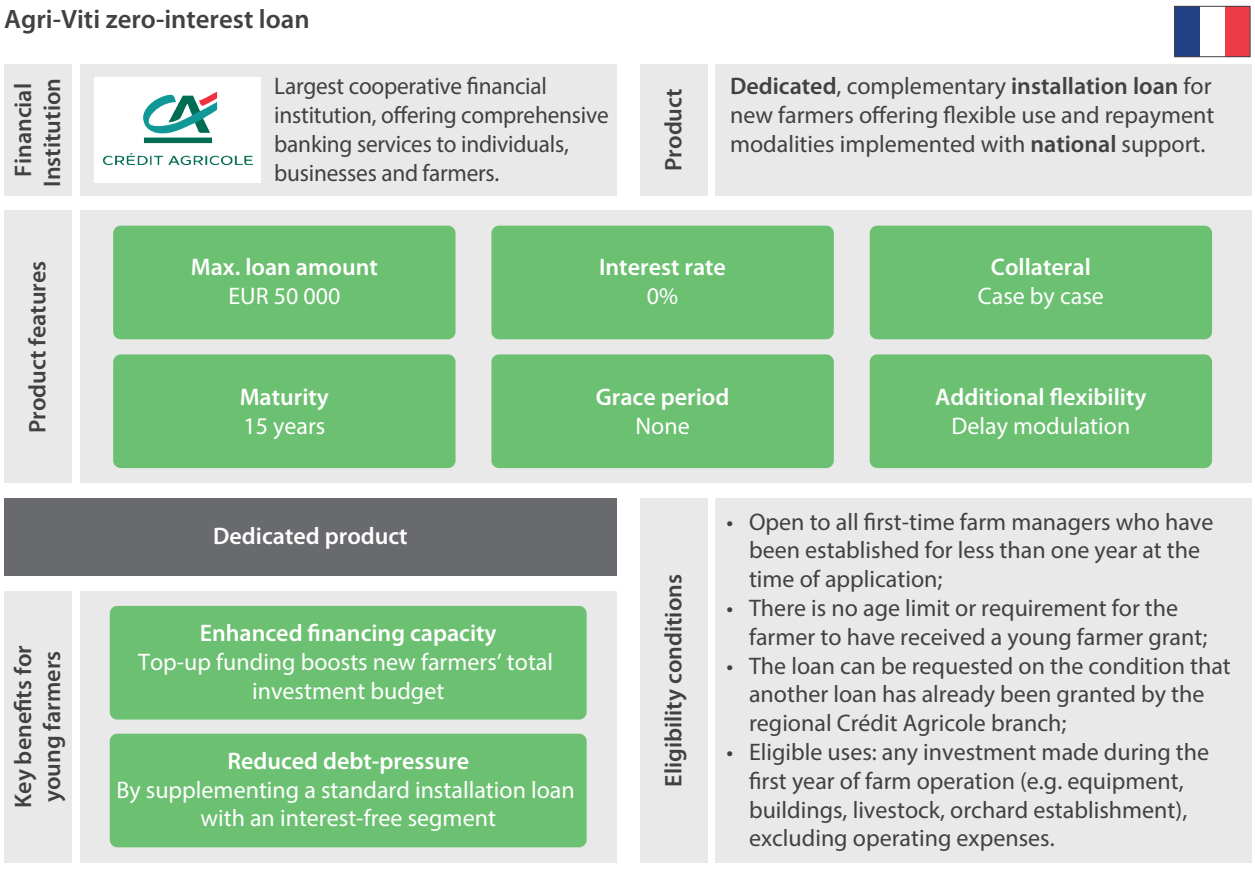
11 fi-compass (2023): Survey on financial needs and access to finance of EU agricultural enterprises.

By working with specialised agricultural networks or incorporating business development services, they improve the borrower's capacity to succeed, which in turn reduces default risk. This model is well-suited for small-scale investments or initial establishment needs, **helping young farmers** with smaller farm businesses **to build a credit history** and gradually expand into larger-scale operations, steadily accessing more conventional borrowing.

The examples below from the **Agri-Viti zero-interest loan** in France and the **HAMAG-BICRO loan scheme** in Croatia demonstrate how simplified conditions, concessional terms and reduced documentation can enable access to finance even in the absence of credit history.

Alongside traditional loans, **Crédit Agricole** has introduced the ***Agri-Viti* zero-interest loan**, a complementary installation loan. This provides zero-interest financing for farmers in their first year of operation. It is available to farmers who have been established for less than one year at the date of application and can be requested only in combination with another loan already granted by the regional branch (see summary in Figure 6).

Figure 6: Example of flexible complementary financing for young farmers during early set-up in France.



Source: fi-compass.

The ***Agri-Viti* zero-interest** loan can finance **any investment in the first year of operation** up to EUR 50 000 and 35% of the total investment. The lack of interest payments reduce repayment costs, while **delay modulation** and a maturity ranging from 24 to 180 months can give further room to adapt repayment conditions to the farm's early cash-flow. The instrument complements conventional installation finance and helps reduce debt pressure during the most fragile phase of farm set-up.

An additional example from **Croatia** (see Figure 8) shows how a fully public loan fund directly assumes credit risk, enabling access to finance for young farmers excluded from traditional bank lending due a lack of credit history.

HAMAG-BICRO, Croatian Agency for SMEs, Innovations and Investments has a wide range of financial instruments funded by different EU and national programmes to facilitate access to finance in priority areas of the Croatian economy. Under the Rural Development Programme (2014-2022), a **public loan fund** provided **Micro and Small Investment Loans** for farmers (see summary in Figure 7). The initial allocation in 2018 was EUR 17 million, which was increased to EUR 110 million reflecting the high demand

Figure 7: Example of addressing short credit history in Croatia.

Micro and Small Investment Loans

Financial Institution

HAMAG BICRO

The Croatian agency for SMEs, innovations and investments.

Product

An **EAFRD loan fund** deployed under the Croatian Rural Development Programme with **special features** highly relevant for young farmers.

Product features

Max. loan amount Micro loan – EUR 25 000 Small loan – EUR 100 000	**Interest rate** Micro loan – 0.50% Small loan – 0.10%-0.25%	**Collateral** Promissory note, pledge over object of investment
Maturity Micro loan – up to 3 years Small loan – up to 10 years	**Grace period** Up to 12 months	**Additional flexibility** Micro loan – WC up to 100% Small loan – WC up to 30%

Product with special features

Key benefits for young farmers

Ultra-low interest
Fixed interest rates as low as 0.1%-0.25% per year make borrowing virtually cost-free

No prior credit history required
Assessment based on projected cash flows and plan viability, not on past records

Eligibility conditions

- Eligible borrowers: Micro and small enterprises in agriculture, food processing, forestry or other rural activities;
- Applicants should be officially registered and meet minimum criteria for a viable farming operation (e.g. a basic level of land, livestock or production capacity);
- Appraisal process uses official market benchmarks on yields and production costs issued by the Ministry of Agriculture to validate the feasibility of proposed investments.

Source: fi-compass.

This instrument has been specifically geared to serve farmers – including many young entrants – whom commercial banks consider **too risky due to lack of collateral or credit history**. By taking on the credit risk directly, HAMAG-BICRO can offer small and medium-sized loans under conditions adapted to first-time borrowers. The scheme had a **fixed interest rate as low as 0.1%** – a symbolic rate that reflects a public-policy orientation rather than a profit motive.

Collateral requirements are minimal, no own contribution is required apart from promissory note of the borrower and a pledge on the machinery or asset being financed.

Furthermore, **loan approval hinges primarily on financial statements (financial capacity), cashflow analysis and business plan quality**. Where young farmers lack prior financial statements, a dedicated „Calculation of Agricultural Production" tool – developed by the Ministry of Agriculture and periodically updated – is used. This tool provides data on yields and production costs for each type of agricultural production, enabling loan officers to estimate revenues and production costs in a consistent manner. As a result, young farmers with promising business plans can access financing even without prior financial statements or borrowing history.

This approach transforms the lending process, shifting the emphasis from existing wealth and credit history to how well the proposed investment is likely to perform. With highly favourable terms, these loans provide a crucial stepping stone for young farmers. Over time, borrowers **establish a repayment track record** under this programme, improving their bankability and facilitating a transition into mainstream financial services.

In practice, this also means moving away from automatic rejection of start-up farmers solely for lacking a credit history and exploring ways to support promising young farmers despite their limited records. Some mainstream banks now adapt their lending to such cases – often by **supplementing standard loans with special, flexible products** for first-year farmers.

From the launch of the product in 2018 until end 2025, 649 micro- and 1970 small investment loans were granted, amounting to approximately EUR 13 million of microloans and EUR 119 million of small loans (i.e. a **total of EUR 132 million).**

06 Banking through volatility: financing farms through hard times

Beyond a lack of access to land, collateral and credit history, **high income volatility** is another **major deterrent** for many young farmers. This is particularly evident for smaller farms and those increasingly exposed to climate-related risks, In the first years, yields, market links, customer relationships and management routines are still being built, unless inherited, while costs arrive immediately and young farmers have low buffers to sustain unexpected events or price/cost fluctuations. This means that even a technically promising farm can appear financially weak at the exact moment it needs support the most, especially where young farmers aim to significantly change the production orientation of the farm or modernise its operations.

This initial fragility is not only a problem for the farmer; it sits at the centre of lenders' risk assessments. Banks need to see whether future cash flow can repay the loan. When margins are thin and the business has limited reserves, even relatively small shocks can cast **doubt on repayment capacity**. Short-term solutions such as supplier credit or overdrafts may help a farm get through a season, but they do little to solve the deeper question of whether the business model is strong enough to sustain the investment.

Fair prices also have to be mentioned here, because the price-competition-driven market often fails to recognise the higher value generated by smaller, local, organic or other sustainability-oriented farms. These may generate wider environmental and social value, yet that value is **not always rewarded** through stable price premiums. In practice, many young farmers are therefore asked to prove viability in conditions that understate the real value of their production.

In this context, supporting repayment capacity requires aligning the terms of a loan with the **financial lifecycle** of young farms. Instruments such as **repayment-free start-up periods** or **temporary interest-only payments** allow young farmers time to establish operations and generate stable income before beginning full debt servicing. **Longer maturities, flexible amortisation schedules** and alignment with seasonal cash flow fluctuations ensure that repayment obligations are consistent with the farm's cash flow.

To address more severe income shocks, **CAP risk management instruments** can also be deployed including when losses exceed a defined threshold. This can be enhanced by EAFRD support to cover part of a farmer's insurance premiums.

The **Auvergne Rhône-Alpes EAFRD first-loss portfolio guarantee** illustrates how these approaches can be combined in practice. The financial instrument supports generational renewal while also incentivising farmers to adopt innovative technology, sustainable and climate-resilient practices, efficient water management and renewable energy. It includes a **crisis financial assistance** option, allowing farmers impacted by climate or health-related crises to **obtain liquidity** within 9 months of the crisis event - 1 month for the authorities and the fund manager (EIF) to issue clearance and another 8 months for the financial intermediaries to carry out individual assessments and disburse the finance[12].

12 fi-compass (2025): Insurance and Risk Management Tools for Agriculture in the EU.

The ***Più Impresa* loan** implemented by **ISMEA** in Italy (see summary in Figure 8) highlights how combining grants, guarantees and long maturities can help absorb early-stage income volatility and support repayment capacity during the most uncertain years.

Figure 8: Example of a loan fund boosting the viability of young farmers.

Più Impresa loan

Financial Institution

Public economic body providing information, insurance and financial services for agricultural enterprises in Italy.

Product

Dedicated investment loan programme for young and female farmers **to set-up or expand** their farm, implemented with **national** support.

Product features

Investment cap EUR 1.5 million	**Interest rate** 0%	**Collateral** 100% of loan amount, including purchased assets
Maturity Up to 10/15 years (depending on activity)	**Grace period** Up to 24 months (until investment is completed)	**Additional flexibility** up to 35% non repayable grant for eligible costs

Dedicated product

Key benefits for young farmers

- **High-viability financing package**
  Combined support can reach up to 80% of investment costs, vs 65% for other farmers
- **Significant capital injection**
  Aid can cover up to 95% of eligible expenditures (60% loan + 35% grant)

Eligibility conditions

- Eligible young or female beneficiaries:
  - have been entrepreneurs for less than six months and intend to take over an agricultural business, or
  - have been active in agriculture for at least two years and intend to expand their business, improving its competitiveness
- Also eligible: costs for non-productive investments related to environmental and climate objectives;
- Farm takeover itself is not an eligible cost.

Source: fi-compass.

The ***Più Impresa* loan** integrates a number of the features under State aid rules[13] and offers an exceptionally **strong viability boost** specifically for young, new and female farmers. They can request support for farm expansion as well as installations (the latter with less than six months of operation).

The measure provides financial support through:

- a **zero-interest loan** up to **60% of eligible expenses;**
- a **non-repayable grant** up to **35% of eligible expenses.**

The support is granted in relation to an investment plan with a maximum amount of **EUR 1.5 million**, which enables more complex and high-value added business concepts to materialise.

The incentives are granted under the **ABER** – which strengthens the capital structure of applicants and can reassure external financiers about the robustness of the business proposal. Along with investments in primary production and/or processing agricultural products, support may also be granted for activities to **diversify agricultural income**, up to EUR 300 000 under the de minimis regulation.

13 Agricultural Block Exemption Regulation (ABER), Regulation (EU) 2022/2472.

07 Finance for starting small and growing smart

Most young farmers inevitably need to start from a smaller scale and build their operation from there. Yet views differ on the appropriate pace and timing of growth. During the roundtable discussions, many young farmers expressed the understandable preference not to begin their careers under the weight of heavy debt. Moreover, many do not want to take over large farms immediately but prefer to start smaller and expand as they gain confidence, skills and stability. This caution is understandable; starting a new farm involves a considerable risk with external uncertainties such as climate, markets, political developments and even policy change. This is countered by learning, experimentation and finding the right business path. As a result, investment and financing decisions require careful consideration not only for banks, but for young farmers as well.

One way to make small lending viable is **interest rate subsidies**. Paying such subsidies to financial institutions can make loans affordable for young farmers while also compensating banks for the higher operating costs associated with small-scale transactions. These can be provided from EU or state resources for commercial loans or via national public schemes charging lower interest rates following State aid rules.

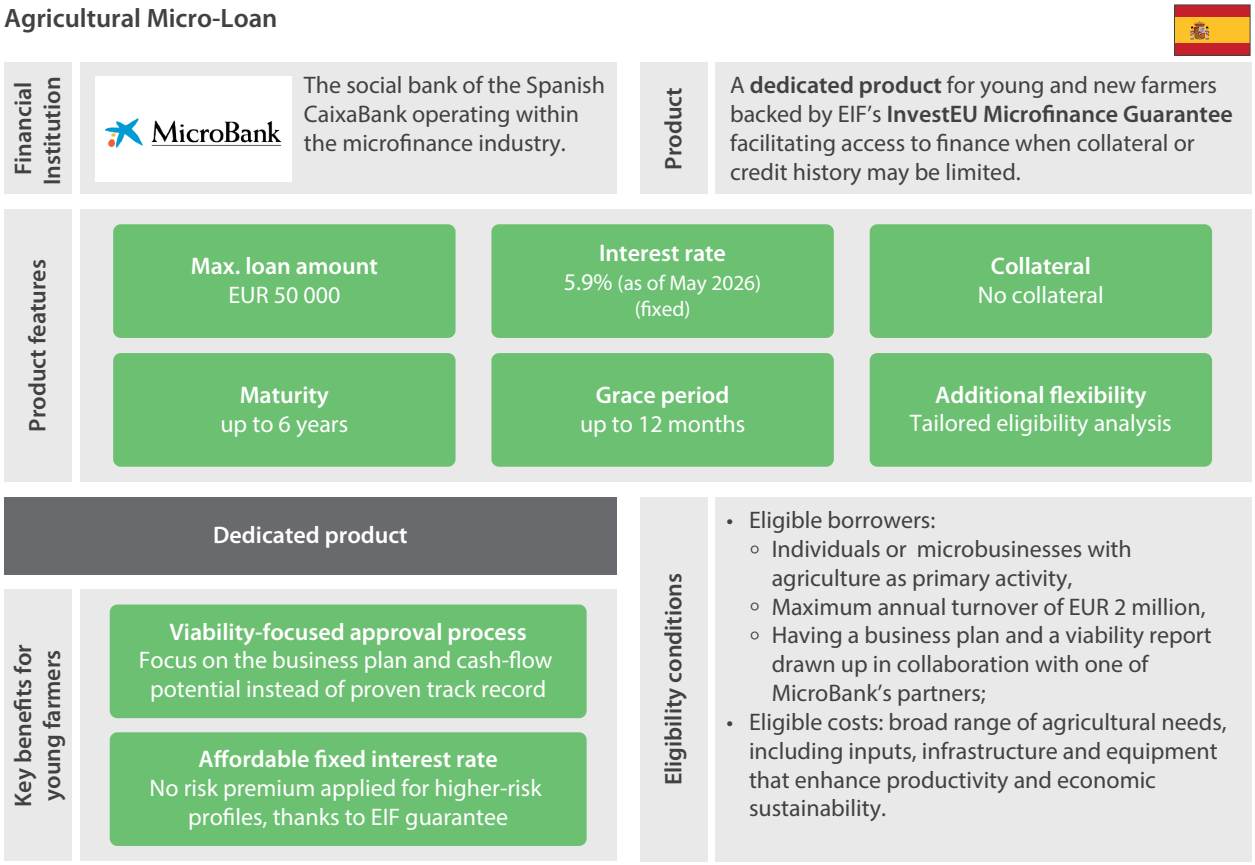
Another pathway to address the initial capital constraints for farm takeover by young farmers is to begin by **joining a farm with a minority ownership share**. In practice, operations are often separated into their own company, which allows the young farmer to participate in profits while **gradually increasing ownership over time**. This approach offers two key advantages: first, an experienced and well-established farmer typically remains involved and second, the business is usually already functioning and profitable. As a result, the model can reduce entry risk while creating a credible pathway toward eventual ownership.

Leasing and other **tenancy-based solutions** can also offer viable entry routes for some young farmers. These may include leasing machinery but also farmland, operational buildings and production facilities, for example in livestock farming, where reducing upfront investment can make entry significantly more realistic.

Banks confirm there is a persistent mismatch between the scale of required investments and the financial capacity of young farmers to borrow. **Small loans – often combined with grant support** – are especially important for young farmers that wish to start small. Yet providing small loans is not straightforward for regular commercial banks, even when there are financial records, credit history, collateral and viability. The main difficulty is economic: the administrative effort required to process and manage a small loan is often comparable to a much larger one, while the profit margin is significantly lower. As a result, **small loans may be uneconomical**, or at least far less attractive, for mainstream lenders. In this space, microfinance institutions and specialised lenders can be more active, as they are better equipped to serve very small farm businesses.

The examples that follow, including the **Agricultural Micro-Loan in Spain** (see summary in Figure 9) and **AGRO FI Micro product in Slovenia** (see summary in Figure 10), show how small-scale, often unsecured and highly accessible financing can support very small or early-stage farm businesses that fall outside standard banking models.

Figure 9: Example of supporting small-scale entry via dedicated microcredit in Spain.



Source: fi-compass.

MicroBank, the social banking arm of Spain's CaixaBank, in 2024 launched a dedicated microfinance product backed by the **InvestEU microfinance guarantee** to support young and new farmers with limited credit collateral or credit history. This tailored **Agricultural Micro-Loan** product of up to EUR 50 000 for generational renewal finances a range of needs, from working capital and inputs to equipment and farm infrastructure, acting as a versatile start-up or expansion facility.

MicroBank relies on the backing of the **EIF's Microfinance Guarantee**, which covers most of the risk on a portfolio basis. The InvestEU guarantee support enables MicroBank to lend to farmers who lack property to pledge, removing collateral as a precondition for these loans. The emphasis is on the quality of the business proposition and the farmer's plan. This is assessed through MicroBank's **tailored eligibility analysis** and due diligence, in coordination with agricultural experts or partnering entities for project validation and mentoring.

MicroBank applies a **single fixed interest rate to all applicants**, including young farmers setting up without financial records. Consequently, the guarantee not only makes finance more affordable for borrowers, but also **reduces administrative complexity for the lender and the young farmer**.

By focusing on **social impact and project viability** rather than on fixed-asset security, this product opens the door to formal financing for young farmers who might otherwise be excluded by traditional bank criteria. Later, when farm and investment needs expand, larger scale financing can be provided by CaixaBank or other lenders.

A public scheme in Slovenia applies a similar approach. In 2023, the **Slovenian Regional Development Fund (SRDF)** launched a **microloan programme (AGRO FI Micro)** under the de minimis framework, **dedicated to young and small farmers** and designed to remove the administrative barriers that often deter this target group from applying for finance. Although it was originally planned to run for three years, **interest has been so strong** that the Fund is already **considering an extension**. The popularity of the scheme stems not only from its financial attractiveness – zero interest rates and the absence of hard collateral – but also from its **highly simplified, fully electronic application process**. This minimises documentation, reduces processing time and avoids complex, paper-based procedures.

The ease of access makes the product workable even for farmers with limited administrative capacity or experience. At the same time, the **highly preferential scheme remains results-oriented**: beneficiaries must achieve specific objectives by the end of project implementation, which are verified by the SRDF.

Figure 10: Example of a high-impact microloan dedicated to young and small farmers in Slovenia.

AGRO FI Micro

Financial Institution

Slovenski regionalno razvojni sklad

100% State-owned public fund dedicated to regional and rural development.

Product

All-purpose **microcredit** using **national** support **dedicated** for young and small farmers with highly preferential conditions and linked with **development objectives**.

Product features

Max. loan amount EUR 25 000	**Interest rate** 0%	**Collateral** Only two promissory notes
Maturity Up to 5 years	**Grace period** Up to 12 months	**Additional flexibility** Simple application

Dedicated product

Key benefits for young farmers

- **Flexible loan with generous terms**
  Interest-free loans covering 100% of project costs, with no hard collateral requirements
- **Fully digital, user-friendly process**
  Streamlined online application process, eliminating cumbersome paperwork

Eligibility conditions

- Eligible borrowers: young farmers and small farms;
- At the end of its implementation, the project must achieve at least one of the following objectives:
  - Preservation of agricultural production (incl. livestock),
  - Restoration of production potential due to natural disasters,
  - Improving liquidity, achieving greater market orientation and competitiveness,
  - Transition towards green, digital and climate-neutral agriculture.

Source: fi-compass.

From December 2023 to May 2026, **157 micro-loans were approved**, totalling **EUR 3.5 million**. This indicates that utilisation of the fund has reached 60%. Furthermore, young farmers make up 71% of the target beneficiaries. Expenditure in 2026 is expected to increase, reflecting higher prices for agricultural inputs, notably due to rising costs for energy, fertilisers and feed.

08 Turning green ambition into bankable investments

Young farmers are often presented as the natural pioneers of technological change and sustainability in agriculture. Yet, entering farming is already perceived by many lenders as a high-risk decision with significant exposure to weather and market volatility. When a young farmer seeks to enter the sector with sustainability-driven concepts, regenerative practices or less familiar production models, **that risk perception increases**. For mainstream lenders, these projects often combine all the uncertainties of a start-up farm with additional layers of technological uncertainty, with steep learning curves, evolving practices and, in some cases, regulatory or certification requirements. In the early years, this can translate into lower or unstable yields, fluctuating productivity and uncertain income, which can weaken financial resilience and lender confidence.

This is also where the **time horizon** matters. Many green investments require several years of returns that are uncertain or below expectations. At the same time, the financial benefits of sustainable practices are not always immediately reflected in market prices. In the absence of stable price premiums or well-developed markets for environmentally friendly products, improved environmental performance does not automatically translate into stronger cash flows. This makes it difficult to monetise, so financing such investments on standard market terms remains challenging.

At the same time, young farmers appear consistently **more willing to invest in sustainability** despite these constraints. Survey data[14] indicates that their past and planned investments in sustainability and climate resilience exceed those of farmers over 40 by 10-20% across every major investment category. These include resource efficiency, digital solutions, water-related investments, organic farming and preventive measures. This pattern suggests that support for generational renewal will more broadly impact **accelerating climate adaptation** and **environmental transition** in agriculture.

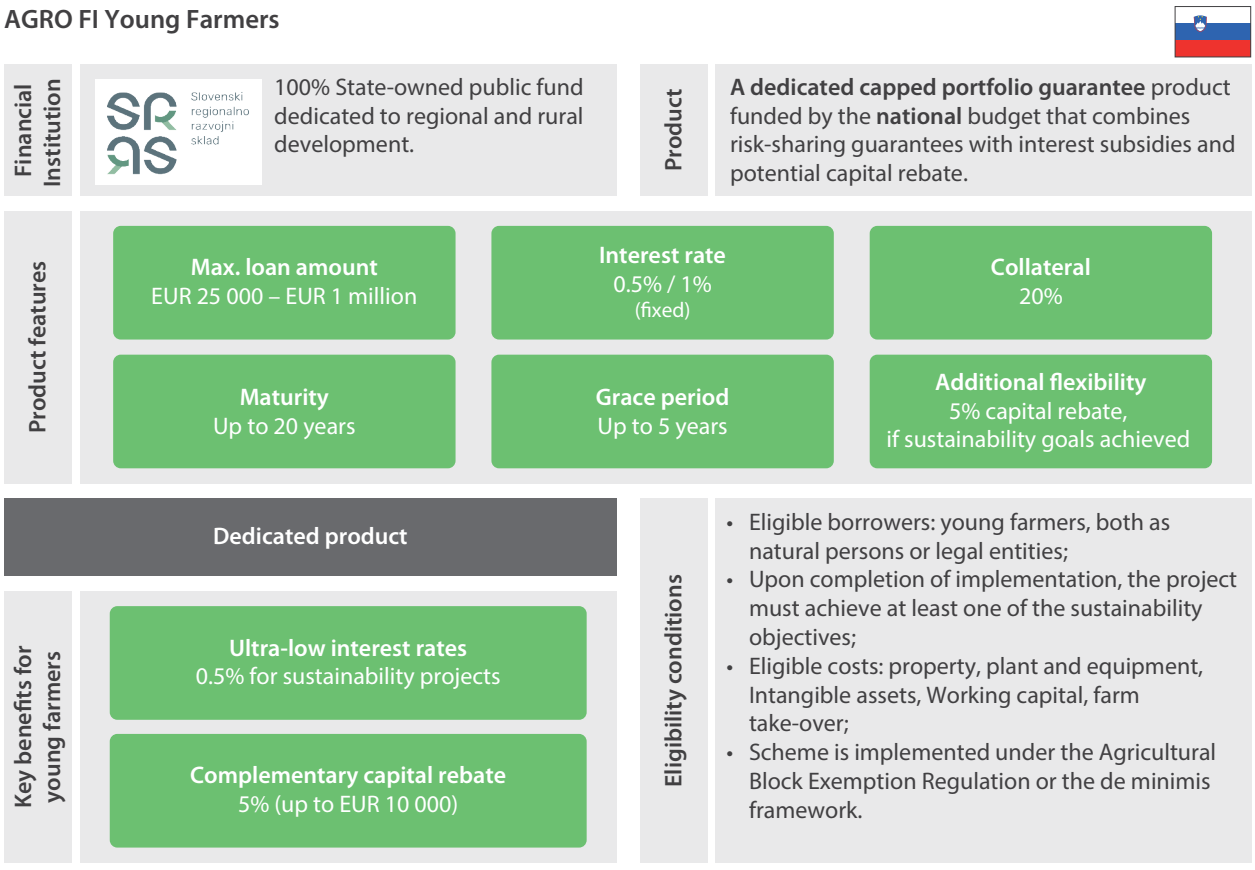
Addressing these challenges calls for flexible and tailored financial solutions that reflect the diversity of green investments and financing calibrated to the **economic profiles of individual transition projects**. Some sustainable measures deliver quick financial gains – for example energy-efficiency upgrades or on-farm renewable energy that reduce costs – and can often be funded on standard terms given their immediate returns. Others focus on long-term resilience and risk management such as water-saving systems or regenerative agriculture practices which provide crucial environmental benefits but little profit in the short term. These typically require **patient capital** with longer payback horizons, **risk-sharing tools** such as guarantees, or other flexible support to bridge the uncertain interim until gains are realised. Finally, certain transformative changes impose additional costs for broader ecological benefits (such as cutting livestock emissions) without directly increasing income, making them the toughest to finance through traditional credit alone. These high-impact yet financially challenging projects often demand more creative support, including **public incentives or performance-based rewards**, to spread risk and make them viable.

14 The fi-compass report analysing the results of the survey carried out in 2025 will be published later this year.

This principle is already being translated into practice. The example that follows shows how targeted incentives and preferential terms can support young farmers undertaking sustainability-oriented investments despite longer payback periods and more uncertainty.

In 2024 the **Slovenian Regional Development Fund** incorporated sustainability objectives and developed a high-impact and targeted financial product (see summary in Figure 11). **AGRO FI Young Farmers** offers soft loans from EUR 25 000 up to EUR 1 million to young farmers, whether natural or legal persons, with a **generous maturity up to 20 years** and an exceptionally long **grace period up to 5 years**. The loan is backed by a free capped portfolio guarantee covering 80% of each loan, with a portfolio cap rate of 30%, and requires **collateral covering 1.2 times the unguaranteed 20%**. Affordability is addressed through heavily subsidised **interest rates with 0.5% for sustainability projects** and transition to green, digital and climate-neutral agriculture. A highly preferential 1% is offered for maintaining agricultural production, restoring production potential after natural disasters, improving competitiveness, creating higher added value, strengthening market orientation or creating new jobs on young farmers' farms.

Figure 11: Example of a guarantee product for young farmers supporting the green transition in Slovenia.



Source: fi-compass.

The instrument also includes a **capital rebate of 5%** for eligible project costs (excluding VAT), up to EUR 10 000. The farmer can request this at the end of the loan term, if specific **sustainability objectives are achieved** and verified by SRDF. Such achievements include the introduction or expansion of renewable energy use, improvements in energy efficiency, reductions in greenhouse gas emissions and increases in organically farmed areas. The loan can also finance land purchase, working capital up to 30% of eligible project value and, importantly, **costs related to taking over the farm** (including inheritance shares of siblings, additional years of insurance for the transferor to meet retirement requirements or payment of a monthly annuity not exceeding the minimum income of EUR 465 for a maximum of two years). These features show how one instrument can respond to several green transition frictions at once. Long maturities address delayed returns, guarantees reduce collateral pressure, subsidised rates improve affordability and the rebate rewards verified sustainability performance.

From June 2024 to May 2026, **149 development loans totalling EUR 30.9 million were approved** for young farmers. The current utilisation rate of these funds is 76%. During 2026, approvals under intervention IRP29 (Investments in the adaptation of agricultural holdings to the implementation of higher animal welfare standards) are anticipated. Following grant decisions, young farmers are expected to use these financial instruments to finalise financing for their projects. Consequently, full consumption of the allocated funds is expected within the 2026 calendar year.

09 Bridging the cash-flow gap: working capital for young farmers

At the start of their farming journey, young farmers often operate with a **thin capital base and very limited reserves**. This makes them especially **vulnerable to short-term disruptions:** seasonal swings in production, abrupt market movements, climate shocks and geopolitical developments which can all disrupt cash flow before a business can build resilience.

In this context, **working capital finance** plays a critical role in **maintaining day-to-day operations**. It enables farmers to purchase inputs, manage operating expenses and bridge the period between production and sales. Without access to timely liquidity, even viable farms may struggle to sustain activity or respond to temporary disruptions.

A practical response begins with making liquidity finance more accessible when farmers are not yet well capitalized or fully bankable. The liquidity needs of young farmers relate mainly to seasonal input financing, operational liquidity management, bridging production cycles and stabilising cash flows in volatile conditions. Working capital finance can ensure **rapid access to liquidity** for farmers whose businesses are affected by climate, disease or other negative development.

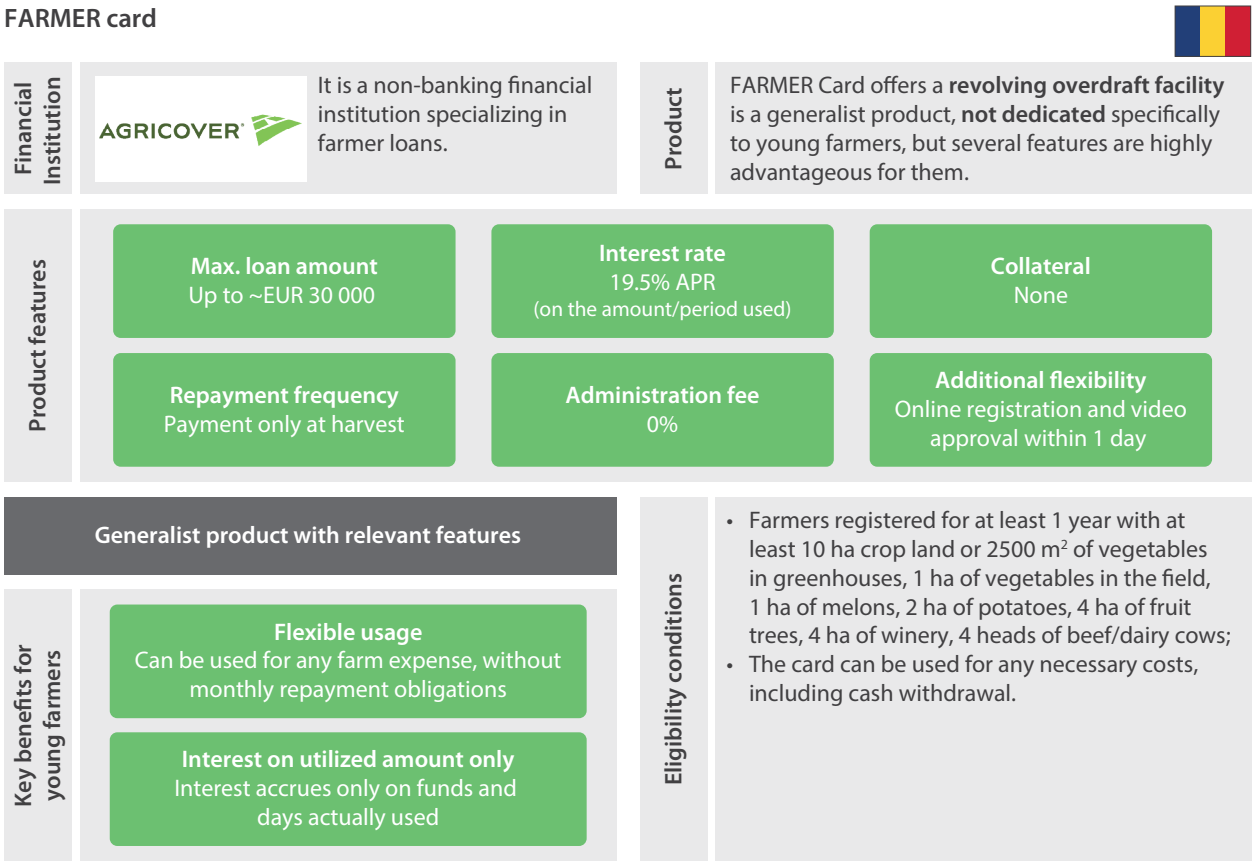
Working capital can also be integrated into broader financing structures. **Investment loan schemes**, for example, often can partially finance working capital, usually up to a threshold (e.g. 20-30%) of total project costs to ensure that bigger projects include a liquidity buffer for smoother implementation. Working capital loans are provided under all EAFRD financial instruments created by Member States in their CAP Strategic plans 2023 - 2027.

The **CAP framework** has recently become even **more supportive**, with the maximum gross grant equivalent for working capital support increased to EUR 300 000. This creates **more room for guarantees and combined grant elements** to help young farmers access liquidity at affordable rates even when they lack credit history or collateral.

During the consultation, **Agricover** from Romania emphasised that working capital finance is central to continued operations, resilience to market shocks and **productivity for young and small farmers**. This is reflected in its portfolio: the share of **young farmer exposure allocated to short- and medium-term working capital financing rose from 74% in 2023 to 90% in 2025**. This reflects a deliberate focus on the most important needs at farm level: seasonal input financing, operational liquidity management, bridging production cycles, and stabilising cash flows in volatile conditions. Young farmers also consistently account for 36-37% of Agricover's total financed clients, while the share of finance directed to them increased from 21% to over 23% by 2025. This suggests growing average financing per borrower and, in turn, support for business consolidation and longer-term viability among the new generation of farmers.

One example is **Agricover's Farmer Card**, a **revolving overdraft facility** that is not dedicated specifically to young farmers but is nonetheless highly relevant for them in Romania (see summary in Figure 12).

Figure 12: Example of a flexible microloan product supporting working capital financing in Romania.



Source: fi-compass.

To access the card, farmers must have been **registered for at least one year** and meet a minimum farm-size requirement defined in line with the Romanian farm structure. The scheme offers exceptionally favorable functional features, although on market terms these come at an annual percentage rate of 19.5% (with an EIF guarantee, that can be reduced by half a percentage point).

The card provides a **revolving liquidity facility** of up to about EUR 30 000, depending on CAP payment levels, which can be used for virtually any type of expense, including cash withdrawals from ATMs. There is **no collateral requirement, no promissory notes or guarantors**, and no monthly instalments, as **repayment is due only at harvest**.

The **application process is fully online** and **approval is issued within one day** through a video call. Rural branches are closing in Romania[15], so this kind of flexible and administratively light product points could unlock liquidity, especially if stronger interest rate subsidies make it more affordable for young farmers.

15 https://business-review.eu/money/banking/kearney-there-are-48-fewer-bank-branches-in-romania-compared-to-2008-276298.

10 Knowledge as a gateway to finance

For many young farmers, the financing journey does not begin with a discussion about loan size or interest rates, but much earlier – with the challenge of **turning an idea into a credible, financeable project**. Entering agriculture today requires far more than technical know-how or inherited practical experience. It also demands the ability to prepare a convincing business plan, understand risks, manage cash flow, communicate with lenders and navigate support schemes that are often complex and fragmented. Where these capacities are weak, even promising farm projects can appear immature or too risky for a financial institution. In that sense, limited knowledge, advisory support and business skills is not a secondary issue but a condition that often determines whether finance is accessible at all.

This gap is felt most acutely in the early years, when mistakes are costly, buffers are thin and decisions about investment, market positioning and compliance can shape the long-term viability of a farm. Financial institutions consistently highlighted that **insufficient advisory**, mentoring and technical assistance services **increase early-year default risks**. Limited understanding of financial management, business risks and key performance indicators often undermines both the resilience of young farmers' businesses and their ability to access external finance. According to many financial institutions, insufficient technical assistance can **reduce project maturity and significantly weaken bankability**. The challenge is even more pronounced for those entering the sector without a strong family farming background, as well as for farmers experimenting with new production models or niche markets, with few reference points.

Strengthening knowledge and **advisory systems** is a key component of the financial solution. The **CAP framework** allows support for Agricultural Knowledge and Innovation Systems (AKIS) as well as for the combination of grant elements, including for technical support, within the financial instrument operation. Thanks to the **flexible provision**, Member States can design mechanisms in line with their country-specific needs and institutional framework to provide the administrative and advisory support for young farmers. However, this possibility is yet to be fully utilised, as very few Member States have included such features in their financial instruments. In addition during the roundtable discussion, several institutions noted internal capacity constraints, as specialised agricultural expertise among loan officers remains uneven, increasing reliance on dedicated advisory networks or sector specialists.

Young farmers **need support throughout the financing process**, not only before they approach a lender but also while they prepare business plans, structure loan applications, identify complementary public support schemes and take key investment decisions. Ongoing training in financial and economic management remains essential for improving farm performance, strengthening resilience and enabling **more informed choices**. For financial institutions, this kind of support also matters because better-prepared clients generally mean stronger projects and **lower risk**. Several financial institutions are **willing to provide more advisory support** to their clients, while noting this may require **additional technical assistance and capacity-building** on their side, especially in the face of increasingly demanding regulatory and compliance requirements.

Building on this principle, a new German initiative provides a structured response to the knowledge gap. Initiated and professionally supported by the **Federal Ministry of Agriculture, Food and Homeland** and financed by the **Landwirtschaftliche Rentenbank**, the ***Ackerpreneur* Farm Incubator** was launched (see summary in Figure 13). This pilot project places aspiring farmers on mentor farms for a **two-year hands-on apprenticeship**. This provides practical training and a low-risk environment for developing a farm enterprise. Participants gain critical skills in farm management under guidance, test their business ideas on real farms and can refine their strategies without incurring large debts or land costs. This hands-on experience not only **builds confidence and competence** but also **connects emerging farmers with established professionals**, strengthening succession pathways and ensuring a new generation of well-prepared young farmers.

Figure 13: Example of a capacity-building initiative dedicated to young farmers in Germany.

Ackerpreneurs Farm Incubator

Financial Institution

rentenbank

Bundesministerium für Landwirtschaft, Ernährung und Heimat

Germany's development bank for agriculture and rural areas.

Product

Pilot programme for a **dedicated farm incubator**, initiated by the **Federal Ministry of Agriculture** to foster generational renewal. This is achieved through two-year **practical placements** on agricultural farms for aspiring young farmers.

Product features

- **Grant amount (founders)** EUR 2 000 / month
- **Length of participation** 2 years
- ACKERPRENEURS Der Farm-Inkubator
- **Grant amount (farms)** EUR 500 / month
- **Further training budget** EUR 5 000 / project

Generalist product with relevant features

Key benefits for young farmers

- **De-risks entry** No need to immediately buy land or invest heavily.
- **Bridges knowledge & capacity gaps** Providing immersive training, mentorship, and a supportive peer network.

Eligibility conditions

- Aspiring young farmers (founders): People up to and including 45 years of age with a clear business idea, must commit to full two-year on-farm placement (with an initial probation period);
- Mentor (host) farms: Established farms selected as hosts; must provide a two-year placement for the young farmer, including mentorship and support for the participant's on-farm project.

Source: fi-compass.

Closing remarks

The lending products and instruments presented in this factsheet show that reducing young farmer financing constraints needs requires a comprehensive and targeted approach. No single tool can resolve all barriers; effective strategies typically combine multiple elements to reflect the diverse needs of young farmers at different stages of development.

The following **lessons** are particularly relevant for replicating and scaling up successful approaches:

- Taking advantage of the flexibility and support options provided by the CAP, Member States are encouraged to design financial instruments, with or without combining with grants, that address the difficulties young farmers face when setting up or when developing their business.
- Portfolio guarantees and counter-guarantees can reduce or eliminate the need for hard collateral. By cushioning a significant share of potential losses, they encourage lending based on project quality and cash-flow potential rather than asset backing.
- Equity-type participation models can temporarily strengthen a farm's balance sheet, substituting for collateral while allowing young farmers to invest sooner and build up their asset base.
- Step-by-step financing approaches are important, particularly for young farmers starting with small-scale operations and no financial track record. Offering small, unsecured loans with flexible terms enables young farmers to prove themselves, establish credit history and later transition to mainstream bank finance.
- Loan conditions aligned with the farm lifecycle such as grace periods, seasonal repayments, interest-only repayment periods and long maturities can reduce early debt pressure and improve resilience during the most vulnerable years.
- Flexible use of funds, including for working capital, land purchase, or second-hand equipment, ensures financing addresses real-world needs rather than fitting narrow criteria.
- Interest rate subsidies and capital grants or capital rebates (potentially linked to achieving specific sustainability goals) can significantly improve farm cash-flow and investment viability, while encouraging higher value-added and environmentally sustainable projects.
- Blended approaches can enhance impact by combining different sources of support to address both risk and affordability constraints.
- Embedding technical assistance and advisory services into financial products strengthens borrower capacity and project quality.

Enabling a new generation of farmers requires a holistic approach to financing. Combining public support (CAP and national) with tailored financial instruments and advisory services can turn structural obstacles into manageable risks. The examples in this factsheet show that targeted products and financial instruments, from guarantees to microcredits and equity, can open doors for young farmers by compensating for their lack of collateral, scale, or track record. At the same time, they highlight the importance of embedding capacity-building and flexibility into financial products – making loans not only more accessible and affordable, but also better aligned with agricultural realities.

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