

Financing of agriculture and investment support in agriculture



József Fogarasi and Kristóf Tóth

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Outline

- **Introduction**
- **Financing characteristics of Hungarian agriculture**
- **The role of public subsidies**
- **Investment supports**
- **Conclusions**

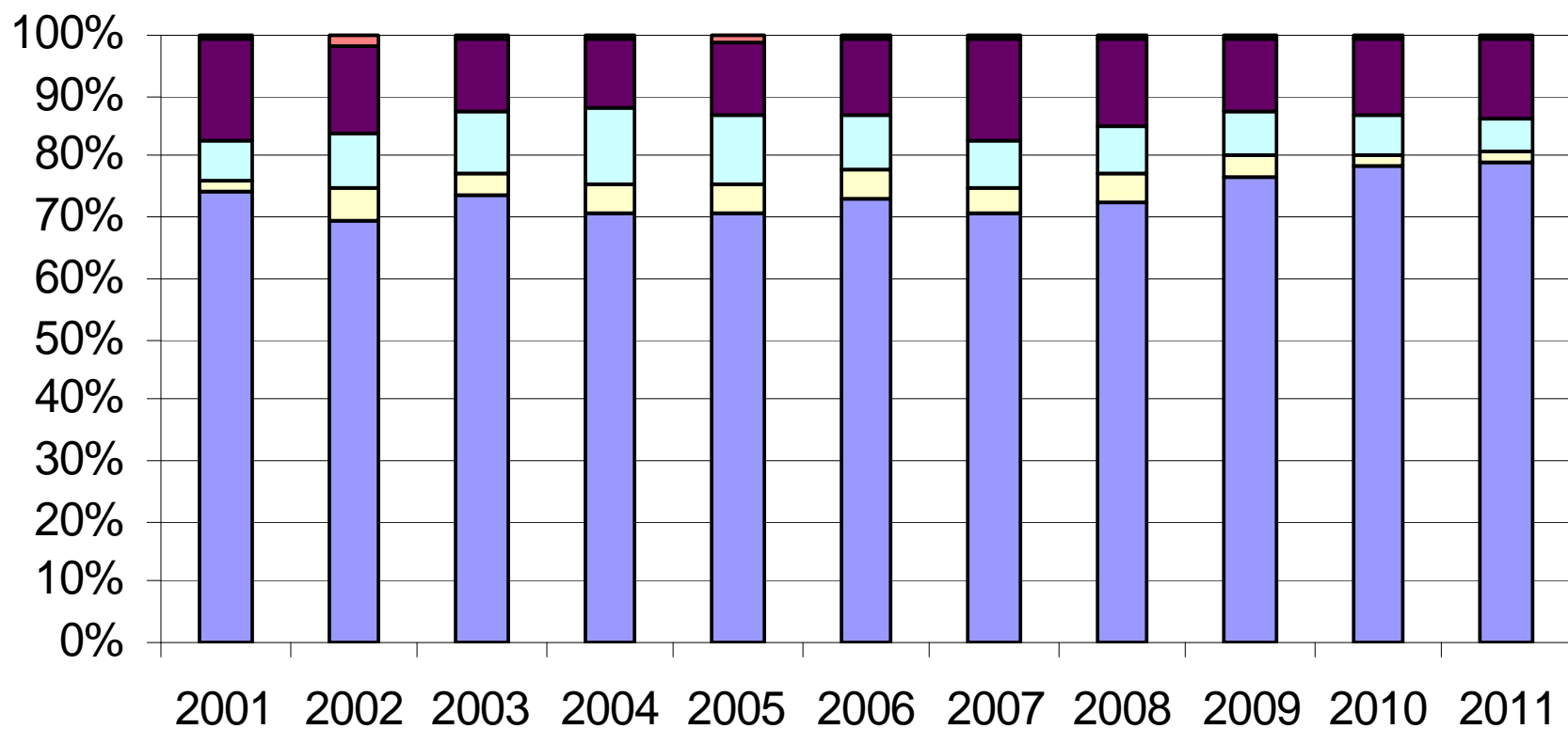
Introduction

- **The structure of our chapter**
 - Financing picture of agriculture in Hungary and Poland
 - The role of subsidies in financing the agricultural operations
 - Investment supports
- **Objective:** comparative analysis of financing in Hungarian and Polish agriculture
- **Motivation:**
 - The optimisation of capital structure for reducing the cost of capital
 - Not many investigations in the literature

Financing characteristics of Hungarian agriculture

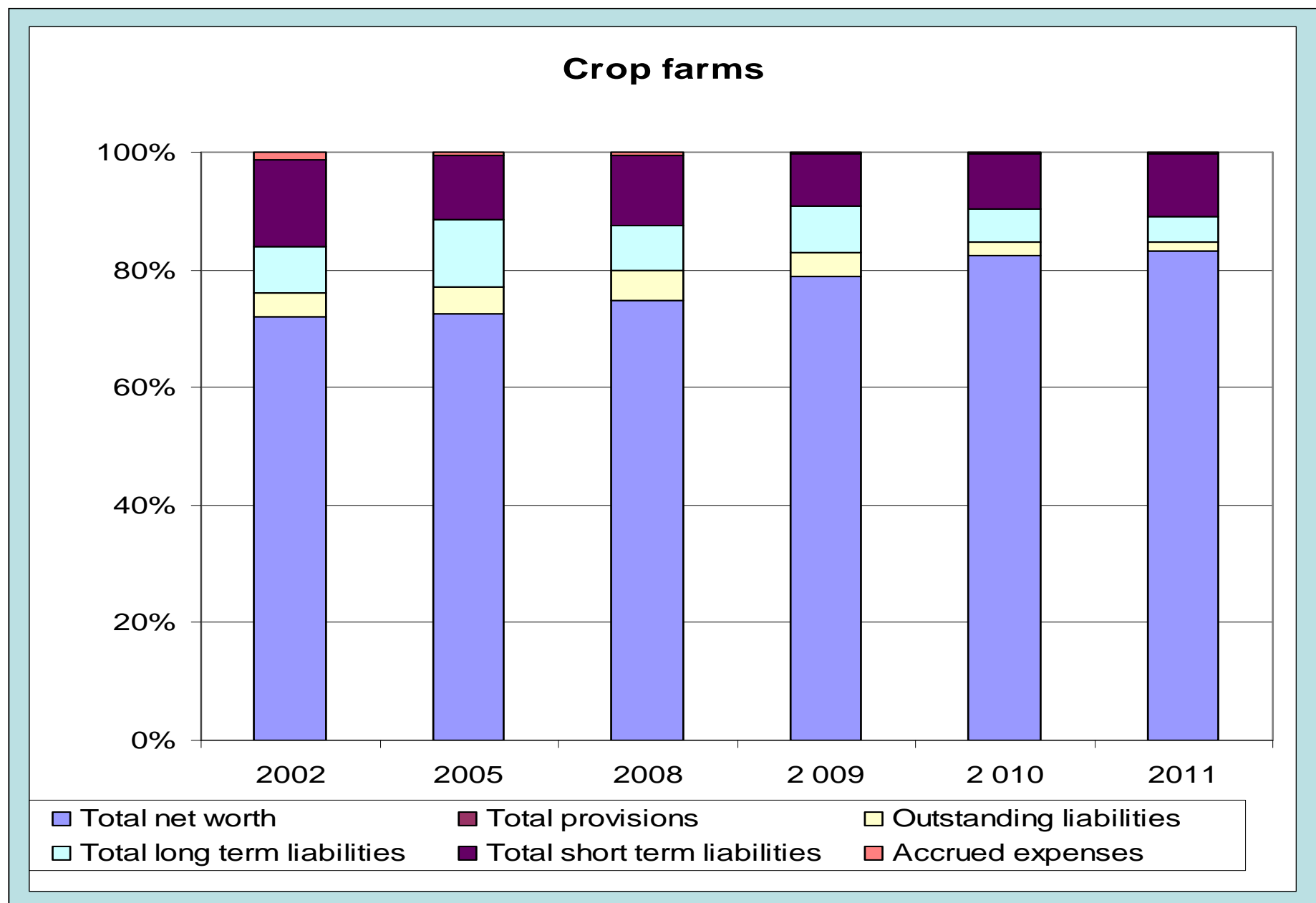
- **Financing structure:** presenting the capital structure based on their balance sheet records
- **The indebtedness of Hungarian farmers**
- **Financial channels** – external financing sources
- **Currency of bank loans**

Financing structure of Hungarian agriculture



- Total net worth
- Outstanding liabilities
- Total short term liabilities
- Total provisions
- Total long term liabilities
- Accrued expenses

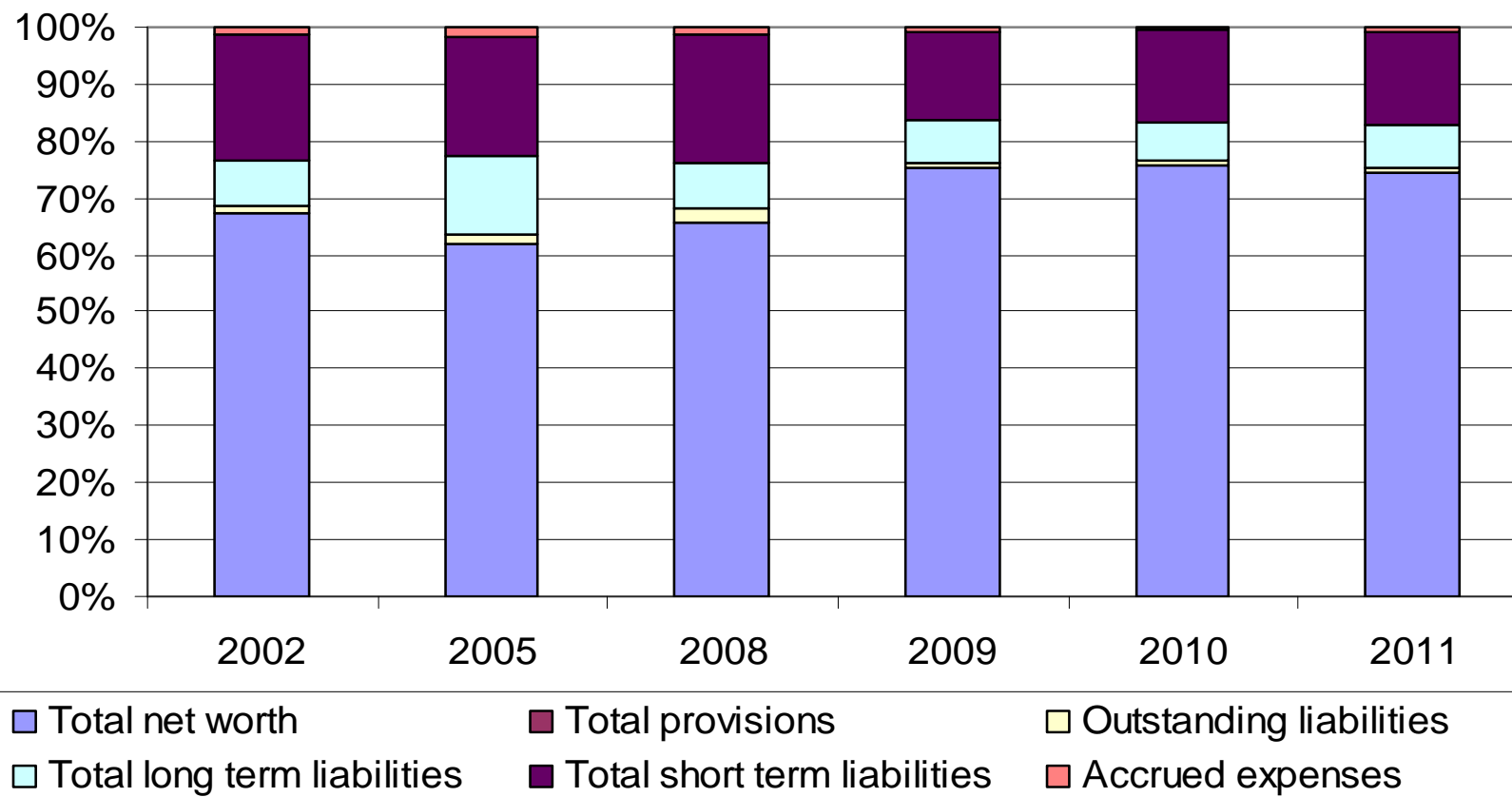
Financing structure of Hungarian agriculture



Source: FADN (2012)

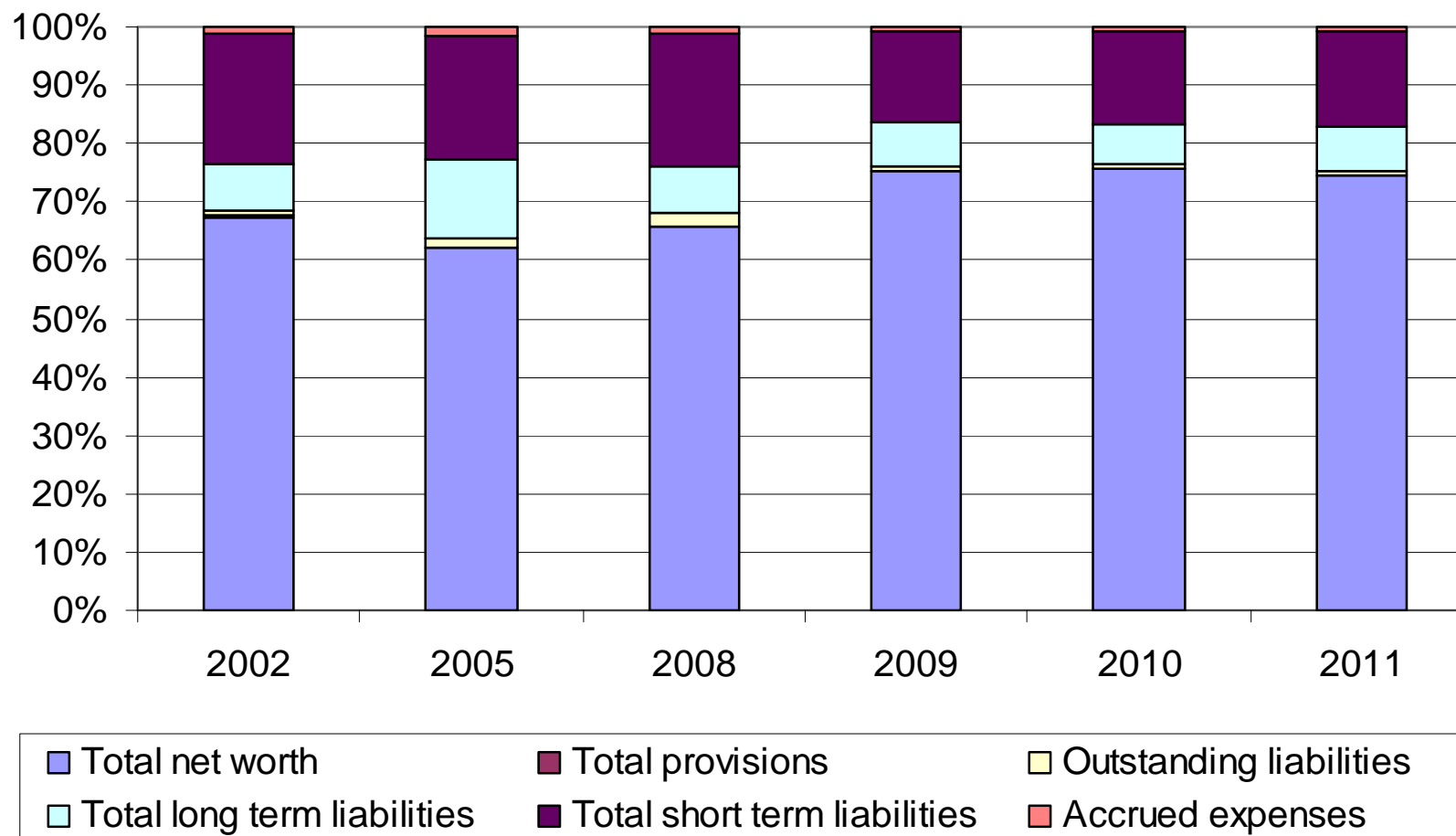
Financing structure of Hungarian agriculture

Dairy farms

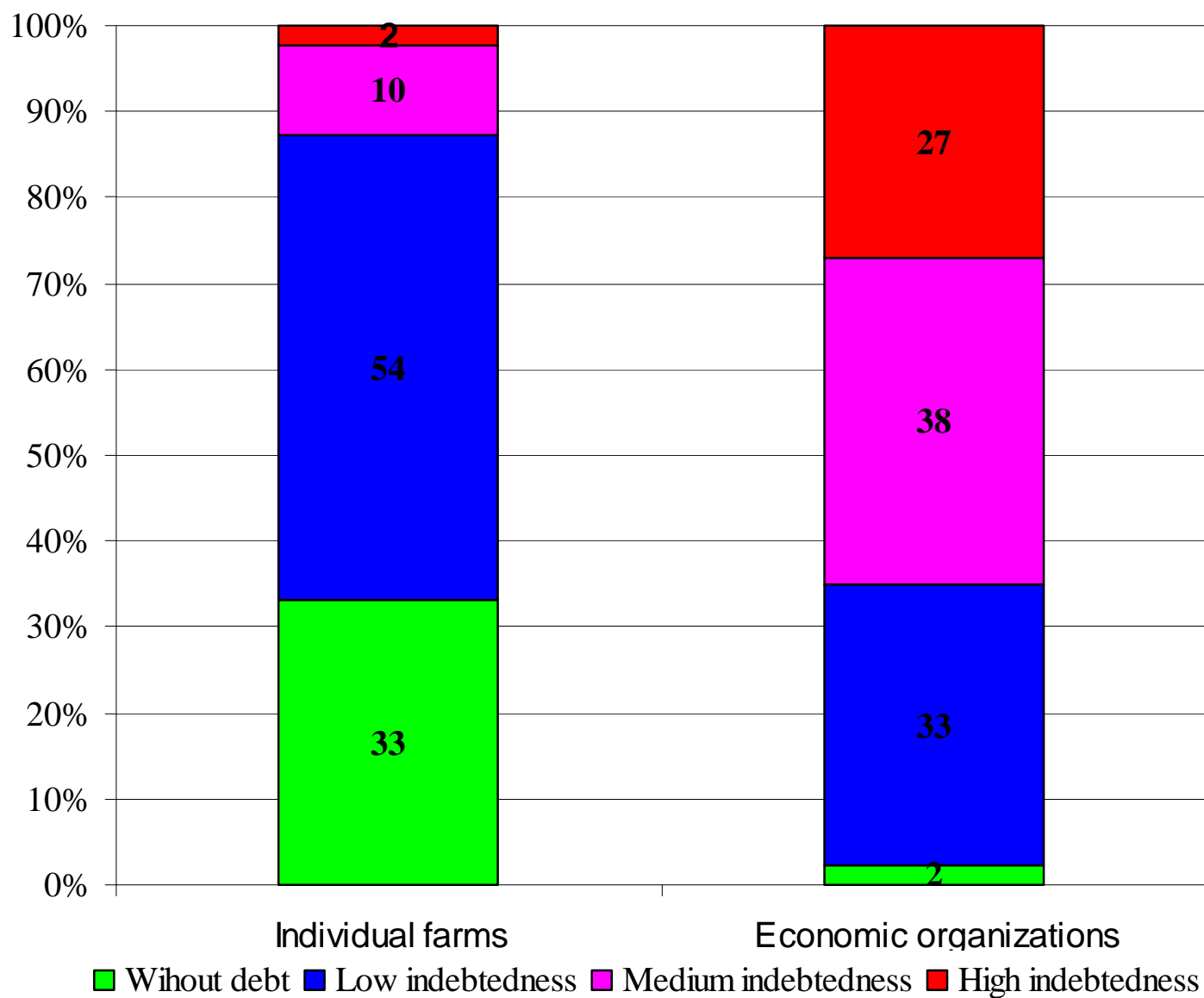


Financing structure of Hungarian agriculture

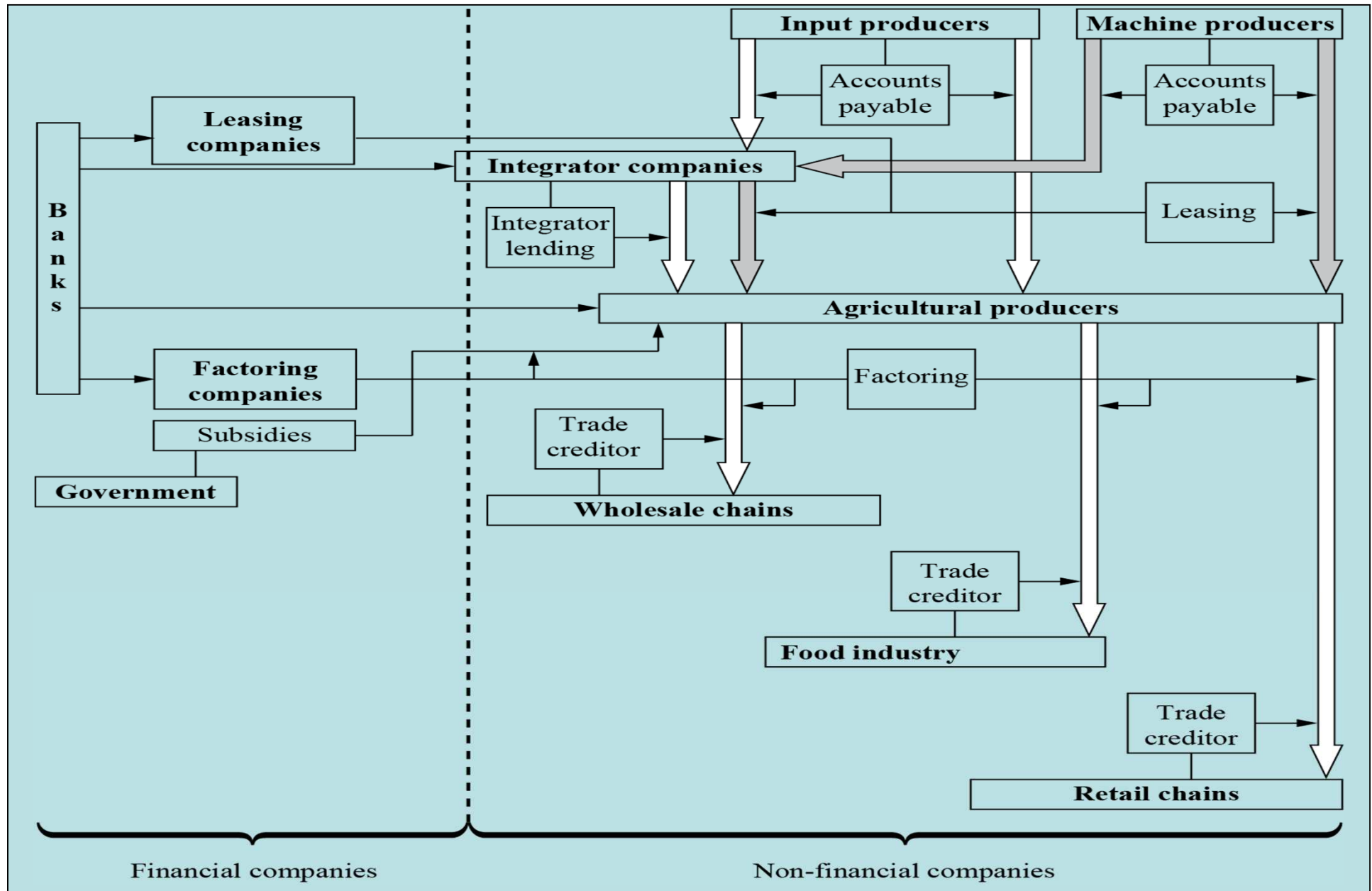
Mixed farms



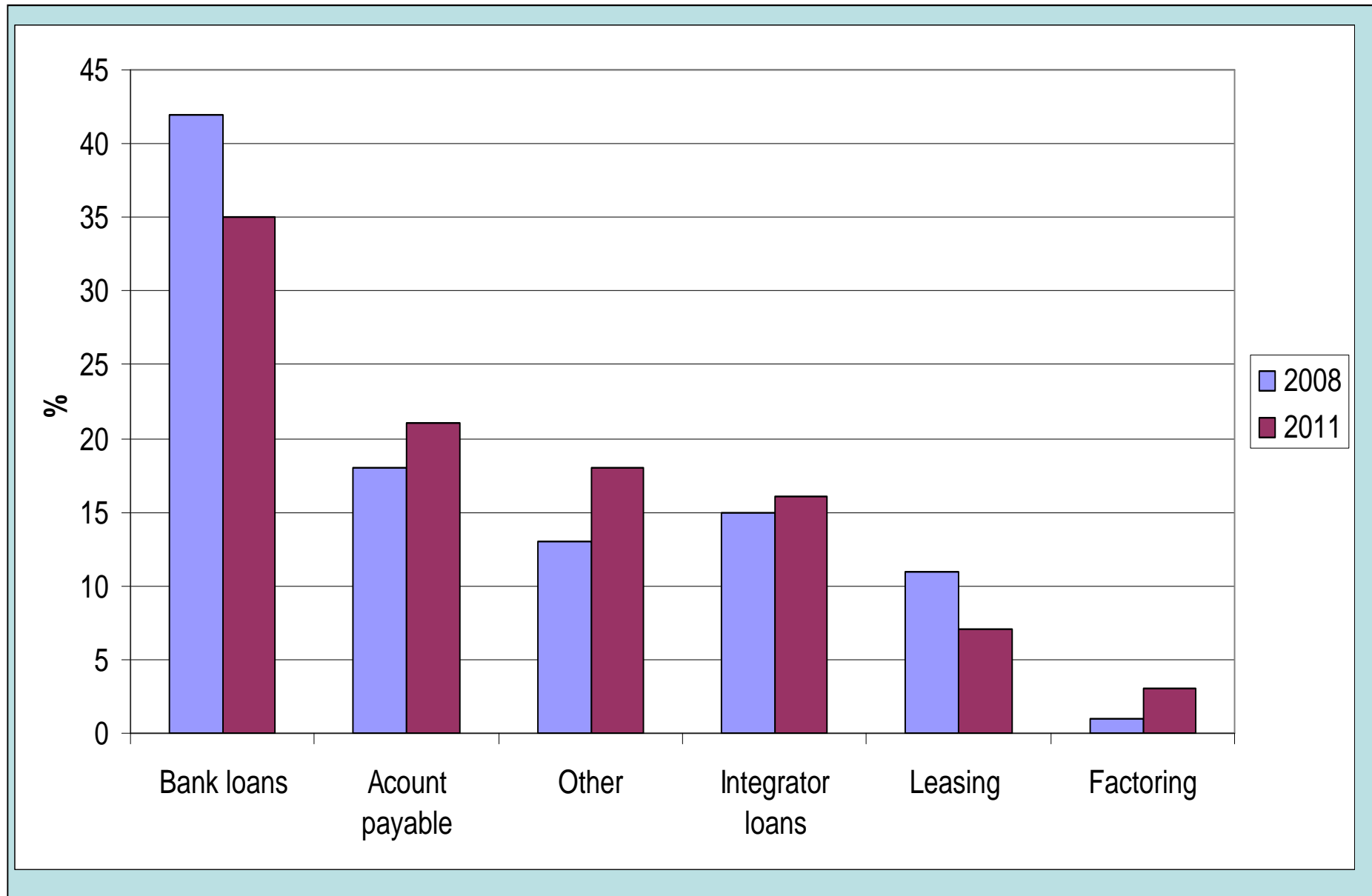
Financing structure of Hungarian agriculture



Financial channels of Hungarian agriculture

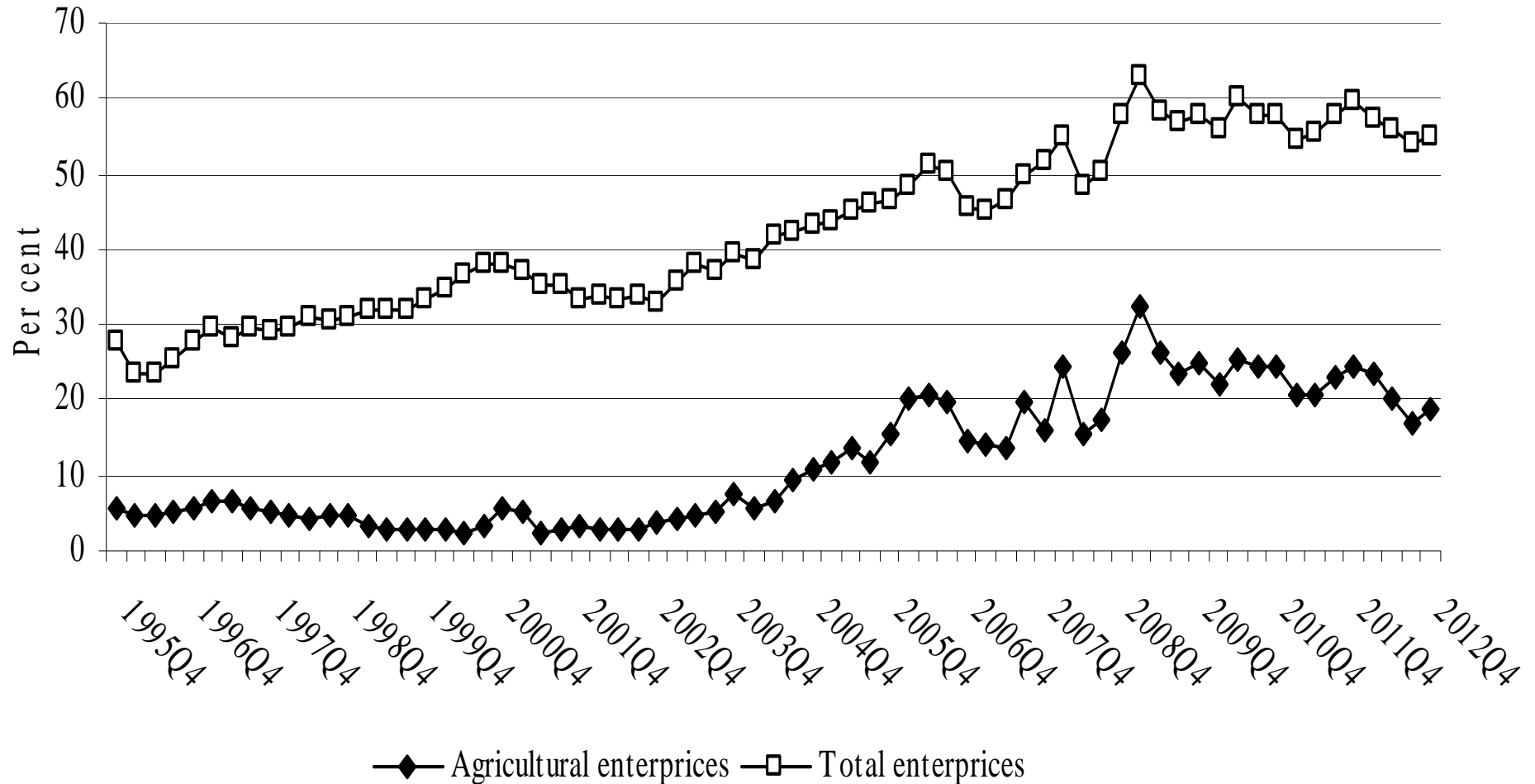


The structure of liabilities



Source: AKI Financial Policy Department based on National Tax and Custom Administration, The Central Bank of Hungary, FADN, Leasing Association, Hungarian Factoring Association data.

The share of foreign currency in bank loans



Conclusions

- **Financial leverage of Hungarian farms has decreased**
- **The role of bank loans in financing has decreased**
- **The bank loans contracted in foreign currency is lower in agriculture than in other sectors of the economy**
- **Further possible research directions:**
 - Estimation and comparative analysis of the user cost of capital
 - The effects of agricultural investments on the farmers' income or performance

Dziękuję za uwagę!