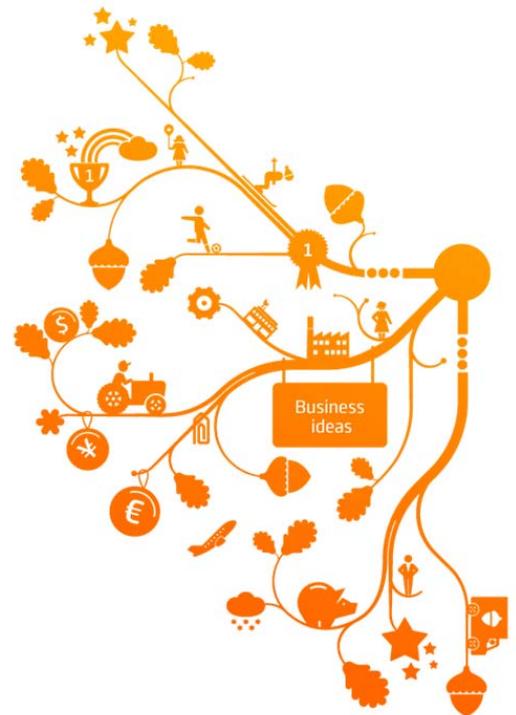


Swedbank on Organic Farm Financing

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Head of Corporate Banking Department



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Swedbank's View on Organic Farming

- **WWF and Swanbank's Baltic Sea Award "Farmer of the Year"**
 - Swedbank is a natural partner for farmers around the Baltic Sea
 - The different countries are at different stages of development but what is important to point out is that everyone can do something to reduce their pollution load
- **Agriculture is, and will remain stable in the industrial sector**
 - This sector is one of the long-term economic pillars
 - We recognize this sector will have a significant impact on the development of Latvian economy and sustainable human well-being in the region
- **Organic farmers produce high quality and healthy products and they are focused on sustainable operations**
- The amount of **investments** to be made in organic farming is **equal to or larger** than the traditional farming



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Equal Requirements for Organic Farmers and Regular Farmers

- Swedbank's **requirements** for organic farmers are the same as those for **farmers in general**
- In every project we are searching for answers on following main questions:



- experience in agriculture
- equity capital
- stable and predictable sales markets
- clear and predictable cash flow
- agricultural land belongs to the Borrower, or the Borrower has entered into a long-term lease agreement
- existing equipment and investments are in line with with the capacity and nature of the respective the farm
- EU co-financing (regulated by EU requirements)

Considerable Aspects of Organic Farming

- **Identification of target market and the demand**
 - Low-income or transitional countries have very limited demand. "Average John & Johanna" just cannot afford it
- **Marketing and advertising budget**
 - If the Brand-name has not yet been established, there should be ample **budget for marketing and advertising**
 - "Clean product" sign on the wall does not do the trick any more, market segment is well known and in developed markets has already been occupied for a long time
- **Technological issues of actual process**
 - To ensure the justification for high price – "clean product perception" shall not be compromised. This has to be expanded on evaluation of suppliers (from seeds to source of organic fertilizers), packaging material, etc. - anything that can signal that product is not clean. It is necessary to make sure how **trust** is maintained and built



Main Risk Factors of Organic Farm Financing

- **Demand**
 - Low demand in Baltic's, ecologically grown products are more expensive
- **Cooperation**
 - Need for cooperation partners abroad in order to successfully implement production
- **Sales channels**
 - Effective operation requires a cooperative with other farms
- **Rentability**
 - Use of Bio cultivation typically means farm's profitability is lower
- **External support**
 - Attracting subsidies, otherwise existence is threatened
- **Volatility**
 - Bad weather has the most direct affect on organic farms



Swedbank products for Agricultural customers

- To start co-operation – **Swedbank offers a “farmers kit”** which includes:
 - multi-currency account
 - internet banking for business clients
 - bank cards
 - consultations from professional agronomist



• Products for your development

Product	Target	Short description
Lease Co-Financed by the Rural Support Service	Buying necessary machinery and new production facilities	Lease with lower down payment and improved financing conditions
Agricultural Overdraft	To keep positive cash flow and to finance working capital	<ul style="list-style-type: none"> • Possibility to receive cash before receiving subsidies • Regular receipt of the subsidies enables farmer to obtain the overdraft with more favourable conditions and lower interest rate
Investment loan for purchase of agricultural land	Extension of the Farm	Special conditions for purchase of agricultural land – maturity till 20 years

Contact information for agricultural customers



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