THE ANALYSIS OF AGRICULTURAL LOANS FOR VINEYARDS

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Abstract: *This work aims to treat the wineyards` crediting under the two forms of finance: non-reimbursable finance and reimbursable one. The economic development of the vineyard productive potential that our country has, depends on the way Romania apllies the measure taken by The European Committee for making the balance of the wineyards` market stronger by giving a financial support in favor of restructuring and reconversion of the plantations.*

Key words*: agricultural loans, vineyards, financing, commercial banks, eligibility*

INTRODUCTION

Given the fact that accessing non-reimbursable European funds represents an interest and a big stake for Romania, and also knowing the tradition and the huge potential that our country has in the field of wine, the chosen method was deepen through scientific methods and with maximum attention to the actual financing of projects, the involvement of banking institutions in this process, as well as the identification of possible obstacles that might appear in the process of liquefying funding and the completion of eligible projects [4].

The analysis made by this research could be a starting point in identifying opportunities and solutions for the managing authorities and the intermediary bodies, in order to improve their own actions.

MATERIALS AND METHODS

In order to carry out the scientific research, the main material used was data submitted by the banking institutions in their credit offers, posted on the official WEB pages. As working methods, it was used documentation, computation, comparison, logical deduction, data processing and interpretation.

RESEARCH RESULTS

Under the European common market organization, the Romanian players in this market are forced to resort to different forms of business financing in the vineyard. This financing has two forms: the non-reimbursable financing provided by the State and the reimbursable financing, provided by commercial banks. One of the measures for managing the potential of wine production taken by The European Commission, was providing support for the restructuring and conversion of plantations, both to strengthen the balance of the wine market, but also for better matching the supply and demand for different types of wine product [5]. This measure targets growing areas whose production is not aligned with demand, and can be better aligned through restructuring of plantations by varietal conversion, relocation of vineyards or improvement of its management techniques. Support for the restructuring and conversion of the vineyards can be requested by any natural or legal person enrolled in the vineyard and farmers` registers, who draw up an individual plan for restructuring /reconversion and fulfillment of the vineyard [19].

In order to support the applicants in the vine-wine sector and to increase the absorption of European funds allocated to measures notified in the 2014-2018 Romanian

National Support Program (NSP), a legislative act it was drawn up, that, in addition to the investments already accessed by the producers, includes investments in the construction of new buildings for winemaking(wineries), laboratories for quality control, property for presentation and sale, tasting rooms, all of which, until the appearance of the legislative act mentioned previously, could only be accessed via NRDP (National Rural Development Program)[6].

The support is granted under Order no. 208/2017, regarding the amendment and supplement of the methodological norms concerning the conditions for implementing the measure of investment, eligible for funding under the Romanian National Support Program (NSP) in the wine sector 2014-2018.

To this respect, an area of applicants accessing European funds for the investments was established, namely:

- legal people with tax residency in Romania;
- institutions and units of research and development of wine potential, as defined in accordance with the national legislation in force;
- natural authorized people, family enterprises, individual undertakings;
- associations of two or more manufacturers and/or interbranch organizations, who perform an operation of production, processing, packaging and marketing of wine-sector products and who propose investment programs, others than those financed by the NRD [8].

These associations must meet one of the following conditions:

- exploit wine plantations entered in the vineyard register, produce and/or bottler wines in their own winery company on its own behalf, to third parties and sells wine products in its own name [3];
- purchases grapes for wine, produces and/or bottlers wines in their own winery company itself or on its own behalf, to third parties and sells wine products in its own name;
- sells wine products purchased on the domestic market.

The main condition for accessing all the eligible operations under the measure of investment, is that the applicant produces its own wines, in its own company, or on its own behalf to third parties and sell wine products obtained by them. Investment requests are submitted in the open sessions of the country centers of APIA (Agency for Payments and Intervention in Agriculture). The content of the investment programs, the documentation requested by APIA and the actions under eligible operations, as well as the request for financial support are granted under Order no. 1801/2014 regarding the amendment and supplement of the methodological norms, concerning the conditions for implementing the measure of investment eligible for funding under Romanian National Support Program (NSP) in the 2014-2018 wine sector [10].

Based on the unique Common Market Organization relating to wine sector, starting with year 2009 Romania has benefited from European funds, through the National Support Program in the wine sector. For the program period of 2014-2018 wine grapes producers can access EAGF funds through the Romanian National Support Program in the wine sector, with a financial allocation of 47.7 million euros per year, for the following 5 measures of support:

- promoting wines by the sub-measure of promoting wines produced in the EU; the measure consists in the provision of information in the member states, with the purpose of informing the consumers about the need for moderate wine consumption and scheme of designations for controlled origin and geographical indications; another sub-measure was promoting the wines in third-party countries, in order to

improve the competitiveness of wines with designation of controlled origin, geographical indication, or for those wine grape variety vines.
- the restructuring and reconversion of vineyards;
- providing harvest;
- investments;
- distillation of by-products [11].

In regards to the investment measure, the contribution of the European Union is a maximum of 50% of the eligible costs, the funds representing EAGF financing (European Agricultural Guarantee Fund), while the contribution of the beneficiaries is in the minimum 50% [9].

Financing in these conditions are:

A. NON-REIMBURSABLE FINANCING

The European financing is based on competition [1]. The managing authorities or intermediary bodies, organize projects to which any interested party that owns a registered company and proves that they don`t have accrued liabilities and didn`t register public debts, can participate.

The approved projects actually receive a non-reimbursable help that represents only a part of the whole sum. The other part is made of a reimbursable financial contribution and is supported entirely by the beneficiary. The financial contribution of the beneficiaries varies between 30% and 50%, in accordance with the measure to which the applicant is eligible for and decided to apply to. The co-financing empowers the beneficiary for abetter organization of its own activity, more efficiency in spending the money and successful completion of the project accepted for funding. Also, the co-financing becomes at the same time a considerable obstacle in accessing non-reimbursable financing.

Obtaining a non-reimbursable funding for a project is a complex process in which the applicant takes the following steps:
- Verifying the accomplishment of the conditions for eligibility;
- Elaborating the documentation and application for financing, with the support of a consultant;
- Contacting a bank to ensure co-financing;
- Submitting the record for financing at the designated authority.

After being accepted for financing, APIA (Agency for Payments and Intervention in Agriculture) gives to the beneficiary , at the beginning of the project, an earnest (pre-financing) of 30% of its eligible value, payment which represents the first installment of the non-reimbursable financing [10].

B. REIMBURSABLE FINANCING

A total of 16 banking financial institutions in Romania in 2018 have granted credits for farmers, the beneficiaries of payment schemes financed by The European Agricultural Guarantee Fund (EAGF) and the beneficiaries of payment schemes financed by The European Agricultural Fund for Rural Development (EAFRD) destined to finance the current activities until the actual receipt of subsidies. These bank loans are forming a pre-finance of the eligible projects financed by non-reimbursable funds [21].

Banking institutions providing such loans have concluded agreements with APIA)[19].

The banking loans are being accessed on the basis of the certificate issued by the Agency at the written request of the farmer who confirms that he submitted the unique application for payment, for 2018, asking for support for the unique payment scheme per area, payment redistribution, and/or for compensatory methods for rural development. Also, the certificate confirms, at the date of issue, the determined area for payment for the schemes that make the object of the agreement; the administrative surveillance was carried out-or the preliminary surveillance, if necessary; the demand on the eligibility of beneficiary payment schemes that are the object of the agreement and that the beneficiary, at the date of issue of the certificate, is not the object to exclusions from the payment for these schemes, meeting the general conditions for the granting of the amounts due, in accordance with the legislation in force [7].

The value of the credit will be up to 80% of the amount calculated in accordance with the certificate issued by the APIA.

The Rural Credit Guarantee Fund IFN-SA (RCGF) and The National Credit Guarantee Fund for Small and Medium Enterprises IFN-SA (NCGFSME) guarantee bank loans for farmers [18].

The credit supply that currently exists on the market was analyzed, belonging to a number of 8 banks, and determined the influence and the size of the costs (Table no.1) on one hand, comparing it with the advantages and disadvantages of the additional guarantees, on the other hand (Table no. 2.), in an hypothetical case of an eligible project worth 100.000 Euro.

Table 1.

The analysis of costs

Bank	**Project Value**	**Non-reimbursable financing (70% project)**	**Bank Loans**		**Bank interest (%Bank Loans pre-financing)**	**Commission (%Bank Loan pre-financing)**	**Costs**
			Pre-financing (%Non-reimbursable financing)	**Co-financing (30%project)**			
B.C.R.	100000	70000	56000 (80%)	30000	3018.40 (5.39%)		3018.40
B.R.D.	100000	70000	63000 (90%)	30000	3395.40 (5.39%)	630.00 (1.00%)	4025.40
Libra Bank	100000	70000	56000 (80%)	30000	3018.40 (5.39%)		3018.40
CEC Bank	100000	70000	56000 (80%)	30000	2990.40 (5.34%)	532.00 (0.95%)	3522.40
OTP Bank	100000	70000	112000 (160% for 24 months)	30000	6036.80 (5.39%)		6036.80
PATRIA Bank	100000	70000	70000 (100%)	30000	3773.00 (5.39%)		3773.00
Raiffeisen Bank	100000	70000	56000 (80%)	30000	3018.40 (5.39%)		3018.40
Transilvania Bank	100000	70000	56000 (80%)	30000	3018.40 (5.39%)		3018.40

Source: Own processing of data available at the sites of the analyzed banks

There is a leveling of costs, but by personalizing the offers additional charges may be applied from the collection of commissions on certain levels of credit. (CEC Bank, B.R.D.)

Table 2.

Advantages, disadvantages and additional warranties

Bank	Advantages	Disadvantages	Additional warranties
B.C.R.	* Credit with repayment assured by APIA subsidy *Structure of optimal financing *Flexibility; * Support in all the stages of the project *Minimize risks; * grace period for payment of interest up to the time of actual payment made of APIA	*eligible beneficiaries must own at BCR an account of collateral deposit assigned in favour of the bank in which is going to collect the amounts relating to the subsidy	
B.R.D.	** Credit with repayment assured by APIA subsidy *Stream simplified; *Quickness in granting the loan; *The interest can be paid at the time of receipt of the grant		
Libra Bank	* Credit with repayment assured by APIA subsidy		*Chattel mortgage (assignment) on claims related to the APIA subsidy * Surety agreement signed by the shareholder and the administrator; * Mortgage security over bank accounts opened by customer at the Libra Bank [12]
CEC Bank	* Credit with repayment assured by APIA subsidy; * Grants credit line with the reimbursement method and flexible guarantees , fast settlement of the demand for credit, the advantageous duration of the credit, with the possibility of extending the credit line on new similar periods [13]	* Charges commission from the award applied to the entire value of the credit	*The assignment of claims that the beneficiaries have to APIA consisting of amounts due according to the Certificate issued by the APIA carried out through the Beneficiary's account opened at the Bank * Mortgage pledge on the current accounts of the customer opened at the bank *Guarantee.
OTP Bank	* Credit with repayment assured by APIA subsidy; * Granting fee can be paid from the credit * The Interest and the principal are paid at maturity. * Advice in preparing the documentation necessary for accessing the credit [14]		* Mortgage interest on the amounts due under the SAPS; * Mortgage pledge on all current accounts opened at OTP Bank * Surety agreement signed by the entrepreneur/representative of the individual enterprise/family business [15]

PATRIA Bank	* Credit with repayment assured by APIA subsidy; *Examination; *Consulting; * Repayment of the loan: on the maturity date of each drawdown respectively the receipt of aid non-refundable from Autorities [16]		
Raiffeisen Bank	* Credit with repayment assured by APIA subsidy; *Simplified process; *Flexibility; * Refund at the time of the receipt of the subsidy from APIA[17]		*The assignment of the receivables related to subsidies APIA, according to the Certificate of Registration a Farmer; *Chattel mortgage on the availability of current accounts of the beneficiary opened at Raiffeisen Bank.
Transilvania Bank	* Credit with repayment assured by APIA subsidy		

Source: Own processing of data available at the sites of the analyzed banks

It can be noticed the coverage of inherent risks by requiring additional warranties. (Libra Bank, CEC Bank, OTP Bank, Raiffeisen Bank).

Also, the majority of banking institutions customize the offer depending on the beneficiaries and the eligible projects, which determines the existence and collection of fees which make the agricultural credit more expensive, making it unattractive, fact that might lead to economic failure and the production of further loss on both sides: beneficiaries and banks [20].

CONCLUSIONS

On the basis of the analysis undertaken, the bank institutions in Romania credit the field of wine-making, with particular focus on flexible pre-financing actions and adjusted to eligible projects financed from non-reimbursable European funds conducted by APIA (Agency of Payments and Intervention in Agriculture). This is done in order to reduce risks or even eliminate them. The banking institutions are providing to the farmers technical expertise in the development and successful completion of projects. In addition to that, the banks oblige their beneficiaries to open accounts of collateral deposit transferred in the benefit of the bank, accounts in which they will collect the amounts of the subsidy, as well as any other additional warranties [2]. Considering these insurant measures taken by the banks,as well as the low and reluctant banking credit for co-financing projects are things that are slowing the rhythm of economic development. The granting of financial support from the European Commission in favor of restructuring and reconversion of the wine plantations represents the only way in which the Romanian vineyards will regain the recognition they once had. The wines will have an honoured place in the global economy, a real ”Marshall plan for Romania” in the view of many specialists, realistic and achievable.

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