



Ministry of Economic Affairs

Financial instruments for innovation

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Ministry of Economic Affairs



European agriculture in 2020

On the one hand

- More global agricultural market
- Food security

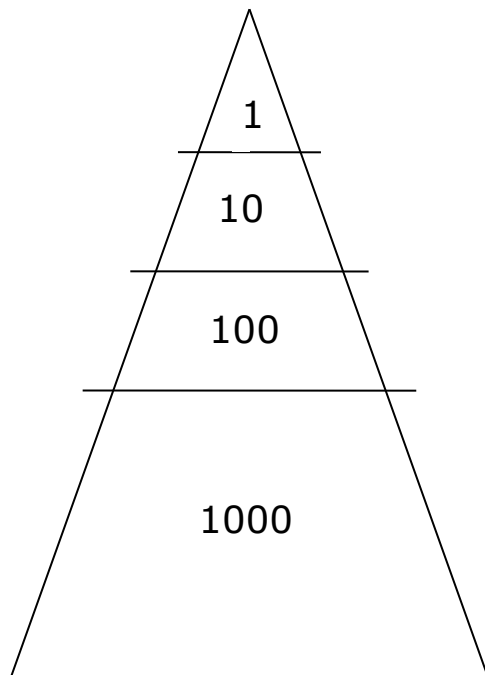
On the other hand: Higher demand for sustainability

- Environment
- Climate change
- Animal welfare
- Water

Farmers need to innovate for a competitive and sustainable agricultural sector



Phases in the innovation process



Concept development; converting a new idea into a workable system

Market introduction by front-runners

Rollout by early followers

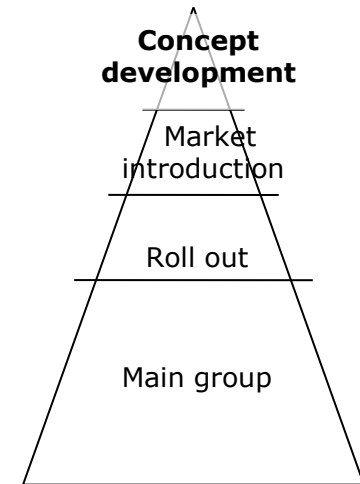
Main group



Concept development phase

- Most narrow definition of innovation
- Applied research
- Risk of technical failure
- In the Netherlands limited number of projects

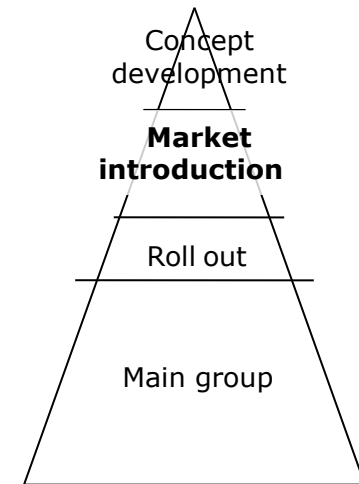
- Article 35 of RDP





Market introduction phase

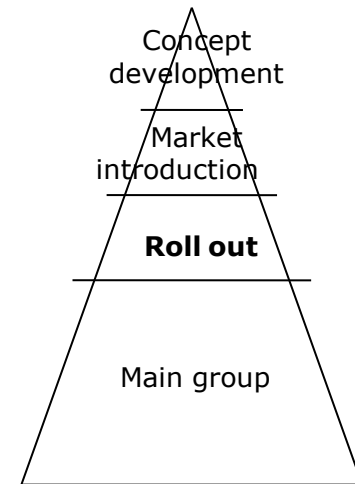
- Front runners invest in prototypes
- From technical risk to market risk
- Especially with sustainability:
are consumers willing to pay?
- In the Netherlands 10-50 prototypes per year





Roll out by early followers

- Early followers take up the technology of the front runners
- Market risks diminish
- 'only' additional costs compared to mainstream investments
- Article 17 'investment support' of RDP





Market introduction phase: Valley of Death

- Many innovations strand in this phase
- Especially innovations towards sustainability
- Farms are too small to bear the risk of failure.

- Market failure when society is not willing to pay for sustainability



Solution: guarantee for market introduction

- Covering risk is more important for farmers and banks than actual subsidy
- Guarantee for first 3-5 prototypes per sector
- Meant for system innovation for sustainability
- Is the important missing link in the innovation cycle!



How to implement

- Based on guarantee fund for investments
- But more risk:
 - Technical risks of prototypes
 - Market risks
- Review committee to approve the applications
- Maximum loan of € 2.5 million is guaranteed
- Up front provision of 2% of the loan
- Max 25 projects per year



Does CSF and agriculture fit?

Article 37 of CSF

“off the shelf” instruments

- Financial instruments are deminimus
 - SME's: € 200.000 / 3 years → easy
 - Agriculture: € 7500 / 3 years → serious limitation
- Management by external party or paying agency?
 - In the Netherlands the paying agency has many experience with the 'normal' agricultural guarantees.



Conclusion

- Financial instruments are possible under RDP
- Fits the missing link for innovation

- But 'of the shelf' financial instrument is here not possible, because of difference in state aid between SME and Agriculture.



- Thank you for your attention
- Any questions?

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