

The economic state of Danish cattle production seen from a funding point of view

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Vækstfonden is Denmark's sovereign investment fund. We strive to improve access to risk capital to enable Danish businesses to innovate, and to generate growth and new jobs. In close collaboration with banks as well as domestic and international private investors, we invest equity and provide loans and guarantees for small and medium-sized companies from all sectors nation-wide.

In the agricultural sector we help both farmers who want to establish themselves for the first time and established farmers who need to restructure or expand their holdings. Our target group is healthy businesses that need long-term, risk-averse financing in order to implement their plans. We have an experienced agricultural team who work closely with banks, mortgage loan institutes, accountants and other advisors to find the best and most suitable financing solution for each individual farmer.

So far, Vækstfonden has co-financed approximately a thousand farmers within the Danish agricultural sector. These farmers needed financing for investments in for example expansions, sustainability, new technology, efficiency and restructuring, and last, but not least, for change of ownership – younger generations who want to overtake and develop an existing farm from an older generation.

Since December 2014, Vækstfonden has been involved in 83 transactions with a change of ownership in the agricultural sectors. Out of those 38 are farms with dairy herds.

When assessing a farm as a creditor, we analyse three main areas:

- The economy
- The farm facilities
- The management

Naturally, the farm's economy is weighed heavily in the assessment, and the budget and business plan must meet the requirements of Vækstfonden. With requirements, I in particular refer to key figures such as consolidation and liquidity zero-point, returns, sensitivity to fluctuations and the capital structure of the business.

But we also look in to the state of the business, whether it is legal and up to date. And we put great emphasis on the farmers plans for on-going and future investments in the farm as these investments form the foundation for production. In the case of young farmers taking over an already existing farm it is a prerequisite that a review of the farm is performed, and specific requirements are met, before we can co-finance the property.

The farmer's management skills are also crucial for the success of the business. And for that reason, the assessment of the farmer plays a huge part in our overall assessment.

I will further elaborate on the above in my presentation on the 4th of December 2019, including our financing requirements and our assessment of the economic situation in Danish milk production.

.... and I'm looking forward to it!