
Debts of farms are growing

Between 2004 and 2007, the debts of agricultural entrepreneurs grew from around EUR 39,000 to EUR 47,000 per agricultural enterprise. Over the same period the taxable assets of agricultural enterprises went up by nearly EUR 12,000 and their income increased by almost EUR 10,000 so “on the average” the situation is under control. However, the risk of indebtedness lies in the fact the debts typically accumulate to just a small number of enterprises. While almost one-half of agricultural enterprises had no debts in 2007, ten per cent of them (around 6,4000 farms) had debts in excess of EUR 134,000 and the debts of five per cent of farms exceeded EUR 220,000. In 2004, the respective limits for debt amounts were EUR 112,000 for ten per cent of farms and EUR 178,000 for five per cent of farms. These data derive from the 2007 Statistics on the finances of agricultural and forestry enterprises published by Statistics Finland.

The development concerning the most indebted agricultural enterprises was studied with a panel time series. Farms whose debts exceeded EUR 200,000 as well as their total income in 2004 were selected to the panel. The panel comprised 2,277 farms meeting these criteria. Enterprises whose debts either diminished by at least 20 per cent (741) or increased by at least 20 per cent between 2004 and 2007 were selected from this population for further examination. The results for these enterprises are presented by production sector in the adjacent table. Detailed data can be found in the database tables of these statistics. In both groups the average debt per enterprise was just over EUR 340,000 in 2004. By 2007, the debt in the group whose debts had increased was around EUR 574,000 while the group that had been paying off debts more than halved its debts in the four years to EUR 168,000. The reason for the differentiation in the development of debts could be the timing of investments, that is, the group that had been paying off its debts had concluded its investment programme but in the other group lively investing had continued throughout the examined period. Enterprises’ profits before deduction of interests were more or less equal in the two groups both at the start and end year of the period, but in the group of the most indebted enterprises risen expenditure on interests ate up almost half of agricultural profits in 2007, so that by the end of the period the indebted enterprises showed a considerably lower net income than the enterprises having paid off their debts. Is over-indebtedness then a threat? A large number of farm enterprises have been able to pay off their debts quickly but a large share of borrowed capital increases the risk for some enterprises. Even minor price changes can prove fatal to an indebted enterprise. Farms whose debts exceeded EUR 200,000 in 2004:

Production line and Change in debts 2004-2007

	Year	Production line and Change in debts 2004-2007							
		Whole panel		1. Dairy cattle farm		3. Pig farm		6. Cereal farming	
		Dimin. by over 20%	Incr. by over 20%	Dimin. by over 20%	Incr. by over 20%	Dimin. by over 20%	Incr. by over 20%	Dimin. by over 20%	Incr. by over 20%
01 Number of agricultural enterprises	2004	741	524	262	240	114	84	172	71
	2007	741	524	238	230	109	81	191	77
03 Income from sales of agricultural products EUR/enterprise	2004	104 575	116 773	113 192	123 704	147 271	145 052	58 449	61 983
	2007	122 782	173 063	145 476	170 963	183 998	246 167	64 600	94 679
21 Profit EUR/enterprise	2004	34 457	34 472	39 381	37 955	37 701	32 744	26 897	25 166
	2007	49 354	49 845	62 021	55 179	52 363	54 038	36 931	36 514
23 Agricultural interests EUR/enterprise	2004	10 453	11 625	10 054	11 085	10 935	11 719	9 569	12 029
	2007	9 310	23 918	8 817	22 911	10 831	26 291	8 532	21 767
24 Net income from agriculture EUR/enterprise	2004	24 299	22 984	29 221	26 545	26 610	21 880	17 880	13 524
	2007	39 864	25 399	52 661	31 096	40 798	26 943	28 539	15 914
30.2 Acquisition of fixed assets and expenditure on basic repairs EUR/enterprise	2004	65 182	80 605	82 356	86 415	53 621	71 046	52 885	65 754
	2007	36 494	126 584	41 076	131 916	28 315	99 678	32 695	93 132
36 Taxable value of production buildings EUR/enterprise	2004	92 026	88 252	108 395	94 046	121 965	114 712	48 817	33 973
	2007	70 466	140 390	85 439	154 218	100 885	167 804	38 102	58 860
38 Taxable value of agricultural machinery and equipment EUR/enterprise	2004	92 174	111 063	103 930	118 228	83 111	103 607	83 501	101 263
	2007	77 711	166 280	92 176	180 399	79 165	160 118	67 020	133 069
43 Agricultural debts EUR/enterprise	2004	341 252	344 254	327 336	336 123	382 150	370 077	317 836	316 092
	2007	167 748	574 356	171 354	576 951	197 254	630 266	152 249	496 245
44 Arable land under cultivation hectares/enterprise	2004	80,2	85,3	68,0	74,1	69,0	80,6	104,7	122,9
	2007	85,3	103,1	75,7	93,1	76,1	94,3	101,8	136,7

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