

Tenant Farmers Association

Report on Survey Results: Farm Business Borrowing and Access to Finance

Introduction

The Tenant Farmers Association sought information from its members about the effect of the past year's drought and disease pressures on tenant farm businesses. In particular, the TFA asked for information about borrowing requirements, access to finance, and potential interest in a government-backed interest-free business loan scheme which had been requested by the farming industry.

A total of 110 members responded to the survey of which half said they would definitely have an additional borrowing requirement this year as a result of the difficult circumstances outlined above.

Headline Findings

- Half of all respondents said that drought and disease pressures meant they needed to increase farm business borrowing.
- the greatest concentration of demand for additional borrowing was between £10,000 and £50,000.
- Just over 90% of those needing additional finance expected securing it to be somewhat or very difficult.
- The responses show tenant status as a significant additional barrier to securing finance.
- More than four-fifths of respondents said they would use a government-backed interest-free business loan scheme if one was made available.

Additional Borrowing Requirement

50% of respondents said they needed to increase their borrowing through overdrafts or loans because of the drought and disease issues experienced during the past year.

Scale of Additional Borrowing

- 8% of respondents needed additional borrowing up to £10,000
- 28% required between £10,000 and £20,000.
- 18%, needed between £20,000 and £30,000.
- 20%, needed between £30,000 and £40,000.
- 20% needed between £40,000 and £50,000.
- No one reported needing more than £50,000.

Taken together, 85% of respondents reported a requirement between £10,000 and £50,000 and more than half required at least £20,000.

Difficulty Securing Additional Finance

Respondents were pessimistic about their ability to obtain the borrowing they required. Overall, 90% of respondents anticipated difficulty securing the additional finance.

- None considered it would be very easy,
- 10%, expected it to be somewhat easy.
- 41%, expected it to be somewhat difficult,
- 49%, expected it to be very difficult.

Effect of Tenant Status

Over 80% of respondents advised that their position as a tenant farmer would make it difficult for them to obtain the additional funding required.

- 17% of respondents said their position as a tenant farmer would make securing additional borrowing no more difficult for them.
- 29% said their position as a tenant farmer would make securing additional borrowing “somewhat more difficult “
- 44% said their position as a tenant farmer would make securing additional borrowing “very difficult”
- 10% said their position as a tenant farmer would make securing additional borrowing “impossible”.

Demand for a Government-Backed Interest-Free Loan Scheme

There was strong support for a government-backed interest-free business loan scheme. 81% said they would use such a scheme with a further 10% undecided.

Conclusions

The survey provides clear evidence of significant financial pressure among tenant farmers who responded. Half require increased borrowing following a year affected by drought and disease, and most of those who quantified their needs require additional borrowing between £10,000 and £50,000. The overwhelming majority of those seeking finance expect difficulty obtaining it.

The findings also indicate that tenant status compounds access-to-finance difficulties. The response pattern points strongly towards the limited availability of collateral and the financial vulnerability of tenanted businesses.

Support for Government intervention is compelling. More than 81% of respondents said they would use a government-backed interest-free business loan scheme if one were available.

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