

Farmers must access loans

One of the reasons most of our smallholder farmers are stuck in poverty is lack of access to credit.

Yet it is not easy for any individual or financial institution to lend money to a poor person whose business is as risky as rain fed farming.

It is an outdoor business, exposed to the ravages of bad weather, pests, rodents and unpredictable prices among other risks.

It is only recently that insurance companies started doing business with farmers and it is all mainly due to agriculture's relatively low rates of returns and the high risks involved.

However, Uganda's heavy dependence on agriculture makes it imperative to grant credit to farmers in order to increase farm yields.

As a coffee farmer myself, many years ago, I had to choose between buying fertilisers to boost yields and paying my daughter's college tuition.

It was a typical example of a desperate farmer whose income was derived from growing coffee but was not in a position to invest in fertilisers that would increase his coffee yields and therefore earn him more money.

As we talk about raising farm yields and commercializing agriculture there has to be sound credit programmes for farmers. If they get credit their farming risks will decline and their yields will rise.

For example if a farmer is assisted to get a water pump and an irrigation system he or she is less likely to worry about the ravages of drought. If the farmer is assisted to get fertilizers, or good quality seeds, farm yields and profits will be higher.

The on-going effort to encourage farmers to form cooperative societies is a welcome step since in their societies the farmers will gain intimate knowledge of one another which will encourage lending institutions to channel credit to trusted borrowers even when they don't have property to offer as security.

Farmers in a cooperative society arrangement normally sell their produce in bulk and as a group, which makes it easy for the leaders to deduct money from the farmers' accounts to service the loans.