



Access to credit may change a smallholder farmer's life

Improved cashflows would ensure the availability of equipment and the working capital required to improve the output of smallholder farmers.

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The role of agriculture in South Africa cannot be overemphasised. It contributes substantially to the country's gross domestic product, creates employment and improves food security.

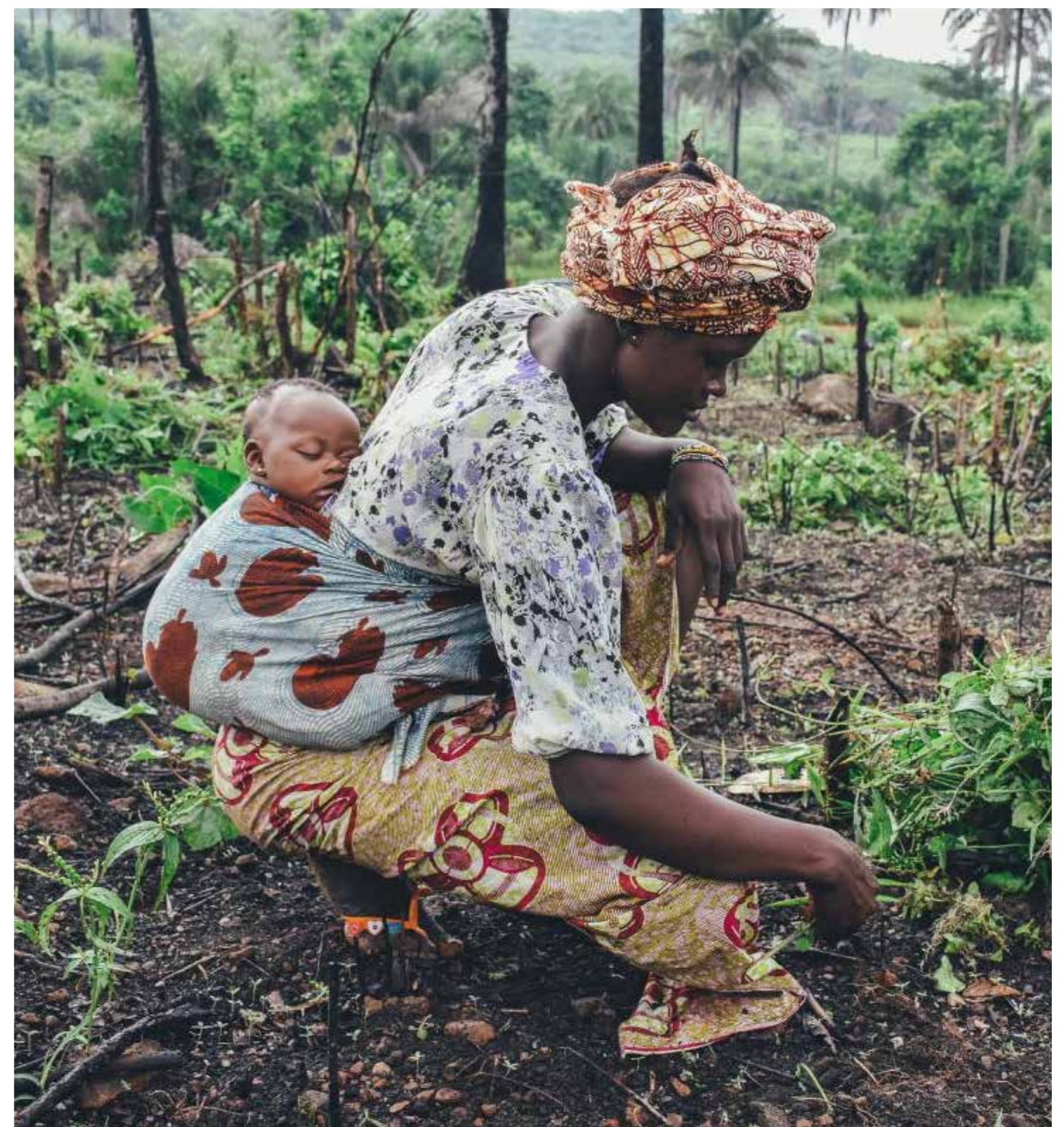
South Africa's agricultural sector comprises smallholder and large-scale commercial farmers. Approximately two million smallholder farmers are farming under tight financial conditions. Yet, in principle, agriculture requires substantial amounts of money to support production and related farm activities.

"Smallholder farmers receive a minuscule amount of credit from formal banks leaving them to rely on the government as their only source of finance," says Joseph Chisasa.

This is largely attributable to a lack of tangible collateral and less than attractive cashflows. Smallholder farmers need capital and labour to produce optimally.

"Access to bank credit would enable the farmer to purchase and own land. This way, farmers will be able to provide the tangible collateral which banks require should the farmers need credit."

Credit applications of farmers who do not own land are often rejected. This lack of ownership has stifled many farming projects as it is directly



Smallholder farmers need access to finance to be successful.

linked to access of credit. Farmers need substantial amounts of money to acquire capital equipment such as tractors to till the land, combine harvesters to expedite harvesting processes and installing or upgrading the irrigation systems to water crops.

"The sustainability of smallholder farmers also depends on the product quality, which influences the price of the product. Access to bank credit catalyses the farmer's production capacity and contribution to the nation's food basket."