

Millers Securing Loans for East African Farmers

Co-ops now able to access crop loans through millers

East African smallholder farmers must rely on savings from their low incomes to increase their farms' yields. This is largely due to their lack of access to credit, which requires collateral and loan histories, requirements that are far removed from these farmers' financial realities. Thus they are left at the mercy of friends and relatives to provide them with small loans.

Banks in East Africa are increasingly funding small-scale farmers through co-ops. However, many East African co-ops lack financing and the expertise to access markets and secure contracts for trade. A co-op's biggest challenge is finding a buyer with whom to sign a contract of trade. Now, business meetings organized by the East African Farmers Federation for farmers, co-ops, and millers are providing a great opportunity for farmers to access markets and secure loans.

The Farmers' Integration into Regional Markets through Structured Trade (Farm-Trade), a USAID-funded project, holds meetings to integrate small-scale farmers into trading systems by linking them to national and regional markets. In these meetings, a co-op can sign a memorandum of understanding with a miller, which is later converted into a contract through a series of negotiations. This contract is then presented to banks as proof of an existing buyer for a crop loan. These loans have been used to buy seeds, pesticides, and fertilizer, and to support field activities.

Kityo, a farmer from Uganda's Twezimbe Cooperative, did not expect his challenges in accessing finances to be solved at this forum. However, he reports, *"We talked with Ayub [from Uganda's Upland Millers] as a cooperative and converted the MOU we signed at the meeting into a contract. We had issues on the ground regarding farmers' access to what they needed to improve their yield, so we went to the bank, presented the same contract to the bank, and they honored the contract and gave us the money—359 million Ugandan Shillings (US\$125,524)."*

Ayub had secured a total of 2.5 billion Ugandan Shillings (US\$874,125) in loans for farmers' co-ops by January 2015. He met with all the co-ops at the Farm-Trade meetings organized by the East African Farmers Federation.

Ayub states *"We told the Uganda Development Bank we had many farmers from a federation we work with who needed loans. We were able to give 5 cooperatives 2.5 billion Ugandan Shillings. Without a buyer, the bank cannot lend a farmer money, and the farmers do not have collateral, so we facilitated that."*

What sealed the deal for Ayub was the co-ops' association with Farm-Trade. *"They would never pick a thug or crook to bring to these business meetings, When I secured the loans, I knew I had the backing of the East African Farmers Federation and Farm-Trade,"* he says.

These contracts also benefit Farm-Trade, as securing loans for farmers advances its main objective of linking farmers to markets through these business meetings.