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The Finance Impact on Potato Crop Production: A Case of North Omdurman Rural Area-sudan

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Abstract: The study aims to evaluate the economic impacts of finance on potato crop production in Omdurman, Sudan, through comparing financed and non-financed farmers in season 2008/09. It depends on primary and secondary data. The former data was collected through questionnaire given to 30 and 18 financed and non-financed farmers, respectively. The data was analyzed by using descriptive statistics, profitability measures and budget analysis. The results reveal that about 76.7% and 83.3% of financed farmers facing un-simplicity and insufficient finance in getting a bank loan, respectively. Cost of fertilizer, irrigation and preparing the land are lower in case of finance to non-financed farmers (the bank supports these services), while storage and transportation costs are higher in financed than non-financed farmers. This may be due to the highest productivity of financed than non-financed farmers. Also, the results indicated that financed farmer generated more profit than other one. The study recommends that farmers must be given sufficient loans, simplifying the process of getting loans and encouraging farmers to lend from the banks.

Key words:

INTRODUCTION

In 2006/2007, the vegetable area is 72016.0 Fadden and the potatoes area is 20888.0 Fadden which represents about 29% of the total vegetable area in Khartoum State[5]. The mains vegetable crops grown in Khartoum State include tomato, onion, potato, okra and leafy vegetables. Agriculture is the fundamental pillar in Sudan economy. We find that the majority of the population with their different ages and standards practice the career of farming.

Agricultural finance has to study the economic system that deals with the ownership of loans by farmers and to organize the operations of the agricultural credit institutions[6]. It is regarded as an important instrument of economic policy in most market oriented developing countries, being used to stimulate development in direction considered desirable on economic and social grounds[7].

It is seen that some specialized banks were concerned with financing the small farmers, but the performance is still weak because of the absence of the clear and mutual vision from the different country institutions towards financing the small farmers in Sudan. This led to the emergency of this research problem which is the finance impact on the potatoes production in the rural area of North Omdurman, where 90% of the inhabitants work in farming and producing potatoes. The potato crop is one of the most important economic crops in the world. In Sudan, the area where potato is grown has developed a lot and the product became a main component in the production of vegetables in the last three decades.

According to the statistics of the international Food and Agriculture Organization[3], the average of the potato seeds imported is more than 13,600 tons in the last twelve months. Although there is an expansion in the area where potatoes are grown, the production is still weak. Having enough finance leads to an increase in the production efficiency. Thus, developing the scheme gross income, which mean the small producer's income? The main objective of the study is the assessment of finance on potato production through comparing of financed and non-financed farmers during season 2008/09.

MATERIALS AND METHODS

The study relied on the primary and the secondary data. The primary data was gathered through a questionnaire to 30 financed farmers and 18 farmers where were not. The secondary data was collected from different sources related to the topic of the study.

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Data Analysis: The data was analyzed by using descriptive statistics and the partial budget so as to identify the net returns, gross margin, benefit cost ratio of the financed farmers and those who they were not.

RESULT AND DISCUSSION

The Finance Resources: Table (1) showed that 30 farmers i.e. (100%) received a bank finance, which means that they prefer the bank finance to the policies presented by the government to increase the product.

Have You Ever Had a Loan from a Bank? From table (2), it was seen that all the thirty farmers (100%) have had loans from a bank. This means that they have a good experience in dealing with the bank loans, which led them to increase their product.

The Amount of Loans: As illustrated in Table (3), most of the farmers (90%) took a bank loan about (10,000 S.G). This means that they did not have the enough guarantees to get loans more than the amount mentioned above. That is because getting a loan more than 10,000 S.G requires farmers to mortgage a real state. But unfortunately most of the farmers did not have real state. Only 10% of the farmers were able to have loans of about 15,000 S.G.

The Aim of the Loan: From table (4), 76.7% of the farmers used the loans given in buying the improved seed from the bank, while 20% of them took their loans for weeding and only 3.3% of them took their loans for farming.

Guarantees: Table (5) noticed that about 86.7% of the farmers have guarantees such as cheques. Those cheques were regarded the best type of guarantees, because the bank gave the farmers enough chance to repay their loans. On the other hand, we find only few farmers (13.3%) have guarantees in term of mortgage, which meant that they do not prefer to deal with the mortgage guarantee because it was difficult for them to mortgage their real state and mostly because they did not have real state.

Repayment Methods: It was clearly shown that 100% of the farmers repaid their loans in cash (Table 6).

Repayment Period: From table (7), it was found that the repayment period for 83.3% of the farmers is six months, which was considered as a suitable period for collecting the loans repayment from the farmers. It was also seen that a small percentage (16.3%) of farmers repaid their loans in four months.

Is it Easy to Get a Bank Loan? About 76.7% of the farmers said that it was difficult for them to get loans from the bank (table 8). That was attributed to the difficult and the intricated procedures of getting a loan and the problems connected with the guarantee needed when getting a bank loan. Around 23.3% of the farmers considered getting bank loan were an easy for them because they considered themselves as old customers with good reputation in the banks.

What Are the Difficulties That Faced Financed Farmers? Table (9) observed that, 83.3% of the farmers were face by the problem of insufficient finance that did not allow them to meet their needs. Also, the study found that about 13.3% of the farmers were confronted by the problem of the short period repayment. These types of farmers were very few and their standard of living was very low, so they find difficulties in repaying their loans on time. It was also noticed that about 3.3% of the farmers face the problem of taking their loans in unsuitable time because of the complicated procedures of getting the loan which lasted a long time. The finance must be given to the farmers in specific time so as to help them to complete their farming process in the suitable time. This was confirmed by the study of[1]. The study proved that the amount of finance given was not enough. Also, shortage and delayed of finance account as obstacles of finance[4].

The Production Cost of Potato (S.g/feddan): Table (10) showed the comparison of the production cost for the farmers who were financed and those who were not in the land preparation, fertilizers, irrigation and weeding. It was found that the cost for the financed farmers was higher than the ones who were not financed by the banks. That was because the bank supplies the financed farmers with fertilizers, machines, irrigation engines, preparing the land and other services that decrease the cost of production. It was also seen the cost of the seeds, farming, harvest, transportation and the storage are higher for the financed farmers than the others. The justification for this was that, the farmers who got loans buy high quality seeds from the banks where the price was very high. Thus high price leads to an increase in the farming cost. The high quality seeds lead to increase in productivity and accordingly this leading to increase in harvest, storage and transportation cost for the Fadden. When looking at the total cost of the Fadden, we found that the cost of production for the financed farmers was higher than the cost of the non-financed ones, because of the increasing in the cost of production of some input items. From the table, it is clear that seeds have the highest cost of production for financed and non-financed farmers.

Table 1: The percentage of the farmers according to their finance resources

Finance resource	Frequency	Percentage
Self-finance	-	-
Relatives	-	-
Banks	30	100.0%
Merchants	-	-
Others	-	-
Total	30	100.0%

Source: Data collected and calculated.

Table 2: Farmers' percentage according to their experience dealing with bank loans

Have you every a bank loan?	Frequency	Percentage
Yes	30	100.0%
No	-	-
Total	30	100.0%

Source: Data collected and calculated.

Table 3: Farmers' percentage according to their loans amount

Loan amount(S.G)	Frequency	Percentage
10,000	27	90.0%
15,000	3	10.00%
Total	30	100.0%

Source: Data collected and calculated.

Table 4: Farmers' percentage according to the aim of their loans

The aim of the loan	Frequency	Percentage
Seeds	23	76.7%
Farming	1	3.3%
Weeding	6	20.0%
Total	30	100.0%

Source: Data collected and calculated.

Table 5: Farmers' percentage due to the type of guarantee

The guarantee	Frequency	Percentage
Mortgage	4	13.3%
Cheque	26	86.7%
Total	30	100.0%

Source: Data collected and calculated.

Table 6: Farmers' percentage according to the repayment method

Have you every a bank loan?	Frequency	Percentage
Cash	30	100.0%
Cheque	-	-
Total	30	100.0%

Source: Data collected and calculated.

Table 7: Farmers' percentage according to their repayment period

Repayment period	Frequency	Percentage
6 months	25	83.3%
4 months	5	16.7%
Total	30	100.0%

Source: Data collected and calculated.

Table 8: Farmers' percentage according to the simplicity of getting a bank loan

Is it easy to get a loan bank?	Frequency	Percentage
Yes	7	23.3%
No	23	76.7%
Total	30	100.0%

Source: Data collected and calculated.

Table 9: Farmers' percentage according to the problems they faced

What are the difficulties that face you?	Frequency	Percentage
Insufficient finance	25	83.3%
Timing of finance (unsuitable)	1	3.3%
Repayment short-time	4	13.3%
The absence of guarantees	-	-
Others	-	-
Total	30	100.0%

Source: Data collected and calculated.

Table 10: The production cost of potato (SG/Fadden)

Elements of production	Non-financed farmers	Percentage	Financed farmers	Percentage
Land preparation	223.60	06.42 %	217.40	04.43 %
The seeds	1455.00	41.77 %	1490.00	30.38 %
Farming	39.70	01.14 %	43.90	00.90 %
Fertilizers	420.50	12.07 %	397.90	08.11%
Irrigation	68.00	01.95 %	57.80	01.18%
Harvest	69.90	02.01 %	70.70	01.44%
Storage	400.00	11.48 %	500.00	10.19%
Transportation	83.00	02.38 %	109.00	02.22%
Weeding	465.80	13.37 %	400.80	08.16%
Loan cost	-	-	1360.00	27.73%
Land rent	258.00	07.41 %	258.00	05.26%
Others	-	-	-	-
Total cost	3483.50	100.00 %	4,904.7	100.00%

Source: Data collected and calculated.

This result was agreed with previous study that, the seeds cost represented the highest production cost (33.5%)[4].

Budget Analysis Results:

Productivity: When comparing the productivity, the financed farmers produced more sacks than those who were not-financed. The farmers, who were financed, produced about 70 sacks per Fadden, while the non-financed farmers produced 40 sacks per Fadden (Table 11).

Net Returns: Table (12) showed that, the total production cost and the total returns of the Fadden for the financed farmers were higher than the non-financed ones. This was assured by the previous study [(1)]. The study confirmed that the total production cost of the financed farmers was higher than of the non-financed farmers. Also, the net returns was high in case of financed farmers than non-financed.

Net returns = total returns (S.G/fed) – total cost (S.G/fed)[2]

Total returns (SG/fed) = productivity (sacks/fed) x price of sack (S.G) Sack price = 90 S.G.

Table 11: Productivity (Sacks/Fadden)

Financed farmers	Non-financed farmers
70 Sacks/Fadden	40 Sacks/Fadden

Source: Data collected and calculated.

Table 12: The Net Returns (S.G/Fadden)

The item	Financed farmers	Non-financed farmers
Total returns (S.G/fed.)	6,300.0	3,600.0
Total cost (S.G/fed.)	4,904.7	3,483.5
Net returns (S.G/fed.)	1395.3	116.5

Source: Data collected and calculated.

Gross Margin Analysis Equals: GM = TR – TVC (TVC = Total cost – TFC (TFC = Total fix cost (cost of land rent [2] = 258.0 S.G/fed)).

Gross Margin Results:

For Finance Farmer: GM = 6,300 – (4904.7 – 258.0) = 1653.3 (S.G/fed).

For Non-finance Farmer: GM = 3600, 0 – (3483.5 – 258.0) = 374.5 (S.G/fed).

When comparing gross margin between financed and non- financed farmer, gross margin was higher in former (1653.3 S.G/fed) than in later (374.5 S.G/fed). The results showed that financed farmer generated more profit than other one.

Recommendations: Farmers must be given enough loans. Simplifying the process and the procedures of getting loan, so as to enable farmers to have their finance in the suitable time.

Encourage farmers to lend from the bank in order to increase their net return.

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