

# Blockchain Unlocking Affordable Credit for Farmers in Brazil

*Blockchain credit agency, CreDA is disrupting the traditional credit industry to deliver competitive rates to an endemically 'credit neglected' sector.*

SÃO PAULO, BRAZIL, September 23, 2022 /EINPresswire.com/ -- [CreDA](https://www.creda.com.br) (Credit Data Alliance), the leading decentralized credit rating service, is launching an innovative pilot program in Brazil to provide an alternative credit scoring model that delivers competitive, affordable interest rates to farmers in the country. The project is part of the company's Credit4Good



A farm in Brazil.

programme that aims to combat the global food crisis, which in addition to the war in Ukraine and Covid-19 disruptions, is further amplified by the fact that interest rates in Brazil are stifling local farmers from producing the food the country needs.

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Farmers in Brazil want to contribute to the country's food security but are faced with unrealistic interest rates because the lack of adequate data means banks won't take the risk.”

*Fred Diniz - CreDA*

CreDA is working with farmers across Brazil including, Alta Vista, Barreiras, Bahia & Mirante Santana, and Aguas Da Prata, near São Paulo to analyse geo-tagged data that is assessed to understand the farm size, crop conditions, irrigation, and yield potential. This data is then modelled with CreDA's proprietary credit risk algorithms that assess assets and payment behaviour both in the traditional system and on blockchain. This fit-for-purpose credit score could slash up to 50% of the eye watering interest rates that Brazilian farmers have been obliged to pay.

Astronomically high interest rates represent a fact of life for Brazil's agricultural sector; a consequence of limited competition across the banking sector – Brazil's top five banks currently administer 80% of the country's loans – and the absence of alternative sources of credit because of lack of accurate or unbiased data. The CreDA model will serve to addresses both these

shortcomings.

“The model isn’t about creating new assets against which credit can be offset, it’s about incorporating a farm’s existing, intrinsic essence – from the quality of the land to its past performance – into the credit assessment process. In the future, it will also incorporate other considerations into the mix such as environmental considerations, participation in shared materials or cooperatives, or local community engagement, all of which could directly influence a farmer’s credit worthiness,” explains Fredrico Diniz, CreDA’s Head of Credit Risk Modelling, a Brazilian who has previously developed machine learning projects worldwide at FICO and numerous international banks.

CreDA is partnering with Ager Solution, a company that works with farmers to help increase efficiency of farms by giving high-quality insights on the needs of their crops. Ager utilizes satellite data and NDVI imaging in order to create 17 layers of metadata that can be used to give in-depth analysis of the agricultural field. This data will be incorporated with CreDA’s data to provide a robust, unbiased and real-time view of a farm’s value and risk profile.

CreDA incorporates artificial intelligence (AI) as part of what is called the CreDA Oracle. This machine learning algorithm has been trained on billions of activities on-chain related to more than 100 million addresses. This large initial data pool has helped to build a reliable and trustful credit model that continues to be refined through the work of CreDA’s data scientists and engineers. Anyone with a crypto wallet can assess their personal credit score on the company’s website and mint it as a CreditNFT, which ensures that score is linked to the individual. And because of the benefits of blockchain, the score can be adjusted daily through the user’s behaviour within the crypto and Web3 ecosystem.

## A Global Food Crisis and a Credit Paradox

The World Food Programme says that the world faces a global hunger crisis of unprecedented proportions, with an estimated 828 million people facing hunger daily. Fuelled by conflict, climate shocks and COVID-19, the crisis is escalating as the war in Ukraine drives up the costs of food, fuel and fertilizers.

The challenges are accelerating. In just two years, the number of people facing, or at risk of, acute food insecurity increased from 135 million in 53 countries pre-pandemic, to 345 million in 82 countries today.

For individual countries, locally produced food builds resiliency in the system, because supply chains can be better managed, food waste reduced and costs controlled. However, in countries like Brazil, where according to McKinsey global fertilizer shortages and rising costs are expected to reduce yields and further decrease the volume of grain on the world market, Farmers can’t borrow to invest in their farms.

“Farmers in Brazil want to contribute to the country’s food security but are faced with unrealistic

interest rates for loans needed to expand their farms because the lack of adequate data means banks won't take the risk. This is what we are calling the Credit Paradox" says Diniz. "Through our Credit4Good programme, CreDA is fusing on and off-chain data to build custom, objective, credit risk models that allow farmers access to an additional line of credit with a better and more competitive price. In short, Credit4Good allows them to bypass the traditional means of accessing capital, allowing them to their business and help to feed more Brazilians."

The CreDA approach is all about putting power back in the hands of the farmers, and would mean that even smaller scale operations could have the funds needed for the upfront costs of farming, including seeds, equipment, labour, fertilizer, and much more.

CreDA is currently underway with the data collection and will be sharing more details about the project in the coming weeks.

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