Mr Isaac Adesope is a quiet man blessed with four children. Though he was raised in a family that had barely enough to provide for him, he is now running a highly profitable business. Thanks to his new Mahindra tractor, purchased through PrOpCom’s intervention with Springfield Agro Ltd, First Bank of Nigeria, and the Tractor Owners and Operators Association of Nigeria (TOOAN), he’s now earning an average ₦600,000 (£2,430) profit per month in service fees.

The hard path to entrepreneurship

Adesope grew up in Eruwa in Oyo state, one of 15 siblings. He left school at Junior Secondary School (JSS 2) because his family could no longer afford his school fees. Making the decision to learn a trade, he became a tractor operator apprentice in 1987, graduating with a certificate seven years later in 1994.

“In 1995, a friend told me that there were opportunities for tractor operators in Aiyetoro, in Ogun state, so I decided to relocate. There I was hired by a tractor owner who was looking for an operator. He owned a filling station alongside the tractor business, so I worked there as a station-attendant during off-season, to offset the low demand for tractor services during those times. It was a temporary measure to augment my income, but I earned extra money doing that for five years from 1995–2000. At that point, I decided to set up my own business.”

When Adesope started his business in 2000, some of the farmers he had previously served helped promote his services and his business flourished through word-of-mouth. By 2001, he purchased his first tractor. However, starting a new tractor business was not without its challenges.

“Money was the key challenge: I did not have more than ₦30,000 (£120) when I decided to buy my first tractor. The tractor cost ₦70,000 (£280), so I went to the cooperative association to which I belong and took a loan of ₦60,000 (£240). Additionally, I borrowed ₦10,000 (£40) from some of my friends. Then I needed money to repair the tractor, so I went to some farmers who had previously been my customers and requested a loan. Luckily, they obliged and gave me the additional ₦100,000 (£400) to repair the tractor so that it could be functional. By the end of the year, through the profit I earned from my tractor services, I was able to repay my loans and buy another second-hand tractor at Ijebu Ode in Ogun state. The first tractor I bought was a 3-cylinder horsepower tractor; the capacity was small and I realised that a 3-cylinder tractor is not as good as a 4-cylinder tractor. After using it for over one year I sold it.”

Every year Adesope bought and reassembled a second-hand tractor, used it for his business and then sold it. He claimed that the cost of maintaining reassembled tractors beyond one year was too high. Despite this repair-intensive business model for acquiring tractors, the tractor service business provided him with the capital to invest in other areas.

“I saw the need to diversify, as the tractor business is a seasonal affair. I decided to go into the kerosene and diesel business to keep me busy during the off-season. Because of my previous experience at the filling station, I had an understanding of kerosene and diesel. The diesel business is close to the tractor business. We use diesel to fuel tractors and at times we are unable to find diesel, so I decided to buy diesel and kerosene in bulk for my own use and sell to other operators too. This supplemented my income and helped me to secure unadulterated diesel, which prolongs the life of our engines. But the profit from the tractor business is still the best in all respects. You cannot compare tractor profits with diesel and kerosene profits.”

Adesope has applied other kinds of ingenuity to grow his business. He has first-hand knowledge of the planting seasons and the crops grown, and has developed good relationships with farmers of multiple crop varieties. Through his knowledge and relationships, he has been able to keep his tractors efficiently engaged across the planting seasons of different crops.

Joining a professional association

Adesope joined the Tractor Owners and Operators Association (TOOAN) in 1995 in the Ayetoro branch. He first heard about the association when he worked as an apprentice in Eruwa.

Joining the association was a simple process. To be eligible for TOOAN membership, tractor operators must have graduated from...
a certified training programme run by a master trainer; apprentices do not qualify for membership. Applicants must present the certificate from their place of training and a valid driver’s license to the local chapter to receive their TOOAN membership card.

“I joined TOOAN because if I need any support from the association, I would be able to get it. TOOAN helps us share information on where to buy spare parts. Spare parts for old tractors are not readily available, so we share information with each other on where to get it. We travel to other communities to look for abandoned tractors from which we take the parts. Non-members do not have access to vital information on developments within the subsector. It is a very useful association. I have been the treasurer of the Ayetoro branch since 1995.”

PrOpCom links TOOAN with Springfield Agro and First Bank in pilot intervention

In 2009 PrOpCom approached TOOAN’s leadership about the opportunity to partner with Springfield Agro, the licensed distributor of Mahindra tractors in Nigeria, and First Bank of Nigeria, a large commercial bank, in order to pilot an innovative lease-finance product for an organised group of individual tractor buyers. The product would facilitate buyers’ access to credit to purchase expensive new tractors and implements. PrOpCom then linked Springfield Agro, First Bank, TOOAN and the Central Bank of Nigeria (CBN) under a risk-sharing arrangement to support First Bank’s pilot lease finance scheme.

Under the scheme, approved members of TOOAN deposited an upfront equity contribution of 20% of the asset’s selling price (₦745,000 or £2,995) into an individual account in order to begin the lease-financing arrangement and secure ₦2.98 million (£11,975) from the bank. The repayment rate was agreed at a flat-rate of 1/146,000 (£590) per month. Springfield Agro was then paid ₦3.725 million (£14,970) directly from First Bank. Under the Agricultural Credit Guarantee Scheme, CBN provided a guarantee to First Bank for 75% of the outstanding balance of the securitised asset, up to a maximum of 1/1 million (£4,020) in case a member defaulted and TOOAN was unable to reallocate the asset to another member. PrOpCom provided a cash-backed guarantee to

Increasing professionalism of tractor mechanics

Isaac Olokede is a tractor mechanic based in Ilora in Oyo state. He has over 20 years of experience as a tractor mechanic, having started the profession in 1986.

“[I decided to become a tractor mechanic because] I saw other tractor mechanics and noticed that they are able to take care of their families. I saw it as a job that could provide for my needs. I viewed them as respectable people in the community too.”

From 1986 to 1989 Olokede attended the Awe Government Technical Training Centre in Oyo state, where he received a certificate in tractor mechanics training. After his training he joined a tractor workshop at Okedeji area of Ilora where he spent three years before setting up his own workshop. He now earns enough money to take care of his family’s needs, including paying for his children’s school fees.

In December 2010 Springfield Agro organised a training session in Zaria, on how to repair its Mahindra tractors. It was held as part of PrOpCom’s intervention, to improve the availability of parts and services for tractor owners who had purchased new tractors from Springfield Agro. Olokede was nominated to attend by the TOOAN Ilora branch.

“[At the training] I learnt how to repair engine faults, the clutch, front and back axles, shock absorbers and front wells. It has built my confidence. I have repaired 50 tractors since the beginning of 2011. I have been able to improve [my service offerings] greatly. It was like re-learning the profession, and getting updated on all the developments in the sector. It helped improve my ability to repair the Mahindra tractor. As for the price I can charge because of the additional training, the tractor mechanics association usually sets the price for tractor repair services. We are not allowed to increase our price due to the rules of the association.”

Although the prices he charges have remained the same, his business has seen significant improvements. As a result of his improved capabilities, his customers are marketing his services—referring others to him by telling them how good he is in repair work. “My work speaks for me,” he says. TOOAN members have also been supporting his business by passing word through the association network. With more customers to serve, his income has also seen a rise.

"I am happy to be tractor mechanic. I have self-esteem.”

Impact

Olokede is one of 18 mechanics trained by Springfield Agro on proper maintenance and repair of Mahindra tractors, through PrOpCom’s tractor intervention. By providing training on better repair techniques for these tractors, Springfield Agro has helped improve the service capacity of supporting market actors, while concurrently reducing the risk for banks by increasing the potential lifespan of the tractors.
Manual labour is in 2009, the benefits he experienced were immediate. After Ogunleke first hired the tractor services provided by Adesope, he immediately asked them how they were able to cultivate. When he saw other farmers in his farm reserve using six manual labourers. They would work from 7–11 am and then again from 4–7 pm each day. It took them two weeks to finish tilling the land, and he paid them a total of ₦16,000 (£64) per ha.

“Because of the slow nature of manual labour, it was difficult to expand my farm. I was forced to maintain only a small area of land. This also meant low income. Manual labourers did not provide good service, the land was poorly prepared, and it affected the growth of the crops, which were stunted. You cannot compare it with land prepared by a tractor. A tractor is by far better.”

Although Ogunleke felt that he managed the farm labourers well, the wages he had to pay them limited the amount of land he cultivated. When he saw other farmers in his farm reserve using tractor services, he immediately asked them how they were able to get the tractor to work on their farms.

“They directed me to Isaac Adesope, the tractor service provider in the community. Since then, I have been making use of tractors. I used to see Isaac at my brother’s farm, but I never knew what he was doing. Not until I requested tractor service was I taken to meet him.”

After Ogunleke first hired the tractor services provided by Adesope in 2009, the benefits he experienced were immediate.

“Manual labour is ₦16,000 (£64) per ha while tractor service costs ₦6,000 (£24) per ha—a difference of ₦50,000 (£200) for five ha of land. I pay cash and also enjoy credit facilities from him. Now that I use a tractor, I have increased my plot size from two to five ha. My income has also increased. For instance, just getting into the middle of the season, I have made an additional income of ₦100,000 (£400) from selling my crops. I am yet to go into full season. I am expecting to make more by the end of the season.”

Ogunleke was impressed with the quality of services he received from Adesope’s operators. This, plus Adesope’s willingness to provide services on credit, will keep Ogunleke coming back to him in the future. Ogunleke also shares his stories with other farmers, telling them about the benefits of using tractors—which also helps Adesope’s business going strong. He knows where he lives in the reserve, so he goes to Adesope’s house to request him to come and work on the farm.

“By using the tractor on my farm, the amount of land I cultivate has increased and I earn more money from my farm. I was able to buy three plots of land in Tabola town, where I intend to build a house. I also bought a motorcycle and was able to support my younger brother to get married and learn a trade. Tractor service is cheaper and saves me time. Other farmers also look up to me.”

Impact

Ogunleke is one of an estimated 1,487 farmers in the southwest who, by December 2011, will have made use of the tractor services now available to them. Average cost savings per farmer in the southwest, brought about by using tractors for land preparation and haulage, was ₦9,825/ha (£39) per cropping season.
Adesope has nine operators working for him; of these, five are fully qualified operators and four are apprentices training under him. He pays his operators 10% of the profits from the tractor services. The apprentices pay ₦20,000 (£80) as training fee. So far, he has trained a total of 11 operators, who have all graduated. Adesope helped eight operators to secure work with people to whom he sold old tractors, and the three other operators who trained under him have set up their own businesses.

With the operators performing the services, his time is freed up to market his business and ensure that his tractors do not lie idle. He believes that his strategy and business model has been important to his success. He goes as far as the Republic of Benin to work for farmers during the low season in Nigeria.

“I go around farms scouting for business but the major part of my business comes from recommendations from farmers to their friends on the quality of the work. [In order to ensure that the operators are providing good quality ploughing services], I conduct regular checks on the land they plough, and speak with the farmers to see if they are satisfied with the job. If it is a poor job, a farmer will complain—they will not ask me to work for them again, nor recommend my services to other farmers.”

**“Tractor service is a viable business that is well underestimated.”**

Isaac Adesope, tractor owner and service provider

“My house was completed in May 2011; I spent a total of ₦250,000 (£1,005) to build a house in the farm reserve because that is where I do my business. I needed to have a place where my customers can meet me and book the tractors. There are farmers who do not have mobile phones; now they will be able locate me and discuss their appointments with me. I spend five days a week, between 6–9 am, in my office at home. After that I leave to inspect farms where my tractors are working, monitoring the quality of work so as to ensure customer satisfaction.”

Even after completing construction of his house, Adesope was still earning enough money from his tractor service to save up for a deposit on another new tractor. Seeing the success of the First Bank pilot, Intercontinental Bank also developed a tractor lease finance product, offering another option for tractor buyers. Adesope selected the Intercontinental facility for his second new tractor purchase.

“I wanted to get the second tractor from Intercontinental Bank because of the lower equity contribution. First Bank insisted on a 30% equity contribution, but Intercontinental was only asking us for 20%. However, recently I took another decision to buy a third tractor—from First Bank. I will be paying up my loan at First Bank in October 2011, one year ahead of the required time. I intend to commence immediately afterward the process for acquiring a fourth tractor, my third from First Bank, because I need more tractors to meet the farmers’ demand for tractor services. I will need more than three new tractors to serve the farmers.”

Now Adesope wants to diversify into the selling of farm produce. He has just started the construction of an eight-room stall for this purpose. He thinks that it will keep him busy during the off-peak season.

**Impact**

Adesope is one of 50 members of TOOAN chapters in Kaduna, Ogun and Oyo states who benefited from the pilot lease-finance scheme. To ensure proper operation and maintenance of its newly sold Mahindra tractors, Springfield Agro has trained a total of 125 tractor operators. Now other banks are catching on to the model. Oceanic Bank has created lease finance products for 27 new TOOAN members, while Intercontinental Bank has lease-financed 15. For both of these, PrOpCom has removed its guarantee support, so that the market for lease-financed tractors is now sustaining itself.

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PrOpCom (Promoting Pro-Poor Opportunities through Commodity and Service Markets) is an innovative market-driven programme that aims to reduce poverty in Nigeria. Funded by the United Kingdom’s Department for International Development (DFID), the programme works with government institutions, businesses and individuals to enable agricultural markets to work better for the poor. PrOpCom’s full implementation lasts from April 2008 to December 2011.

The overall intention of the programme is to facilitate basic changes to market systems, to improve how markets operate, and to increase profits and revenue whilst providing benefits to the poor from these market interventions. Using a market-led, pro-poor development approach, PrOpCom aims to support the poor to enhance their incomes, increase their job opportunities, broaden their access to markets, and create more choice for them. PrOpCom facilitates and catalyses these changes—making them possible or making them happen faster—through active engagement of stakeholders, as opposed to direct service provision.

PrOpCom facilitates interventions in five markets (agricultural mechanisation, agricultural policy, fertiliser, financial services and rice), in order to promote agricultural market development that is beneficial to poor people in Nigeria.