



Tractor Loans Benefit Service Providers and Farmers

Tractor service providers in Nigeria face a number of challenges in acquiring tractors to meet the extensive need for mechanisation. Smallholder farmers are equally challenged in accessing sparse existing tractor resources. Now however, through partnerships facilitated by UK aid funding, tractor hiring association members like Suleiman Maigana are receiving tractor loans and providing much needed tractor services to thousands of smallholder farmers like Abdulrahimu Danyero and Ubale Wakili in Nigeria.



Tractor at work on a field

Context of our Tractor Component

Tractors are essential to farming wide areas of land and to increased food production. Tractors reduce the time and human labour needed for tasks like ploughing, harrowing or ridging, and are more cost effective than using manual labour. While the urgency to develop Nigeria's agricultural sector has increased, tractor usage has remained low at an estimated 6.6 tractors available for every 100 sq. km. This is in contrast to 128.5 tractors / 100 sq.km in India and as high as 4500 / 100 sq.km in Japan. A key factor which impedes greater penetration of tractors in Nigeria is their high cost of purchase. Smallholder farmers who are the majority of the country's farmers cannot afford to buy a tractor, and neither can members of associations who seek to offer tractor services to farmers. Loans are often hard for these groups to access as requirements are either too steep to meet, repayment terms too difficult to negotiate, or approval bureaucracies daunting to navigate.

FCMB reports that TOHFAN members have been 100% consistent with their monthly repayments. Encouraged by the group's performance, the bank has recently disbursed 67 additional tractor loans worth NGN 227.8million (£843,700) to members of the association.

Background of the Tractor Initiative

In 2013, the UK aid-funded Propcom Mai-karfi project commenced working with financial institutions and tractor vendors to develop a financing mechanism and guarantee scheme which would encourage banks to give tractor loans to service providers within associations. Propcom Mai-karfi also partnered with the Tractor Owners and Hiring Facilities Association of Nigeria (TOHFAN), an association with a "farm mechanisation for food security" slogan. TOHFAN was established in 2003 and has a membership of 410 in 12 states. In May 2014, 27 members of TOHFAN were each given loans worth NGN 3.4million (£12,500) for a tractor through our partnership with a commercial bank - First City Monument Bank (FCMB) and with a tractor vendor - Springfield Agro.

A Service Provider's Gain

Suleiman Maigana was one of 27 service providers given a loan by FCMB to purchase a tractor; the only way he could have afforded a new tractor. Suleiman lives with his family of twenty four in Maigana, Kaduna state and has not always been a tractor service provider. Starting out as a tobacco farmer in the 80s, Suleiman always wanted to own a tractor but could not afford a new one. Years later he was able to purchase a used model. However an old tractor can prove problematic, and Suleiman still dreamt of owning a new model.

In 2011, Alhaji Suleiman heard about TOHFAN from his tractor mechanic and joined the association to help him access more opportunities for his tractor business. In 2014 when the Propcom Mai-karfi and FCMB partnership offered TOHFAN members the chance to collect tractor loans at a moderate repayment rate, Suleiman jumped at the offer and worked to raise the required 20% equity deposit. Months later Suleiman received a brand new Mahindra tractor from Springfield Agro, financed by FCMB.



Suleiman poses with his Mahindra tractor in the background

Since receiving his new tractor 10 months ago, Suleiman estimates that he has provided mechanisation services to over 600 smallholder farmers in Kaduna, Niger, Nasarawa, and Kano states. Suleiman charges farmers an average of NGN7,000 (£26) / hectare for his services; varying slightly by the cost of diesel. He says that he makes about NGN400,000 (£1,500) per month from his new tractor; which does not cost him a lot to maintain, and he has been able to consistently make the monthly repayment to FCMB which varies, but is never more than NGN170,000 (£680).

Last season alone, TOHFAN members provided tractor services to 14,000 smallholder farmers in 8 states using FCMB's tractors.



Farmer oversees work on his farm

Reflecting on his business growth, Suleiman says: "in recent times, there hasn't been any time that I have lacked money for shelter, food, or for paying for my children's school fees. My family is happy with where we are and how we are able to provide these services to even our neighbours. There is a strong sense of ownership in the family, my four sons are heavily involved in my daily operations, they drive and service the tractor". Suleiman sees the huge mechanisation demand still unmet, and plans to purchase another tractor when he pays off his FCMB loan in 20 months.

Tracking tractors and measuring profit

Propcom Mai-karfi introduced TOHFAN to the use of an electronic tracking system which members have installed on their tractors. TOHFAN Chairman Alhaji Danladi Garba says that with the tractor trackers, members now know the locations of their tractors at all times, can estimate profit from hours worked and land size covered, can gauge when a tractor has put in 150 hours and is due to be serviced, and

The tracker improves accountability from hired operators. This has increased owners' revenue by over ₦400,000/tractor per season. "The trackers are why we have no issue with repayment"- Alh. Danladi.

also alerts owners on an electrical fault in the tractor. While Suleiman does not actively monitor his tracker, he recognizes the benefits

of the technology and would use it if his tractor business was not being managed within the family.

The Smallholder Farmer's Benefit

Abdulrahimu Danyero is one of 14,000 smallholder farmers who have received tractor services in 8 states because of FCMB's tractor loans. Abdulrahimu cultivates rice on 0.4 hectares of land in his community of Dumaji in Kano state. Abdulrahimu engaged the services of a tractor service provider to harrow his farmland at a cost of NGN4,000 (£16). If Abdulrahimu could not access tractor services, he would need to hire 20 people to manually harrow his farm in one day at a total cost of about NGN20,000 (£80). Using tractors have cut his harrowing cost by over 80%, saving him NGN16,000 (£64) which he can invest in other parts of his farming business like purchasing quality inputs.

In 2015, Abdulrahimu plans to double his farm size to nearly one hectare and to keep expanding in the future using tractors to expedite land preparation. "If I were to use manual labour on more land, it will take days to double harrow my land, and I will have to provide meals and other services to hired labourers on those days. A labourer once told me that he could not come because he didn't have firewood at home. I had to give him firewood". Abdulrahimu says that

"Now that I use tractors, I harvest more on the same size of land, and my family is better cared for. We (he and other farmers in his community) are now able to increase our farm sizes because the stress and time spent on the farm has been greatly reduced for us".

- Ubale Wakili
- Farmer and beneficiary of Suleiman's tractor services

beyond the time and labour effectiveness of using tractors, he is also saving money which he is investing in other areas and using to take care of his domestic needs.

Impacting rural livelihoods

The tractor initiative is increasing the incomes of service providers, reducing production costs for farmers, and creating income-generation opportunities for tractor operators. Tractors in Nigeria are typically operated by two people: one seasoned operator drives, and an apprentice helps out with odd jobs like moving obstacles on the farm. While tractors characteristically reduce the need for human labour in land preparation, Abdulrahimu and Ubale have also said that with expanding their farm sizes they are hiring more hands for other tasks like planting, weeding, harrowing, threshing, winnowing, bagging, and transportation.

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