

Case Studies



Yuliana Fay and her husband Yakobus Banu outside their home in Manusasi village.
(Photo: Nina FitzSimons)

The Cash Cow

How an innovative cattle loan scheme is improving the lives of marginal farmers in the East Nusa Tenggara province

by Nina FitzSimons

Cattle in the East Nusa Tenggara (NTT) province are a form of wealth, as well as a source of beef for inter-island trade. Livestock is also used for traditional festivals and cultural practices. Most farmers aspire to have at least a few head of cattle but many cannot afford the initial outlay of around \$350 for a calf. Smallholder farmers, like Yakobus and Yuliana from Manusasi village, are forced instead to rent out their pasture and labour to wealthier cattle owners.

"For many years I grazed two head of cattle on my land for a farmer from a neighbouring village," says Yakobus, "My wife collected fodder for the cattle in the dry season. After three years the cows were fat enough to sell and we received Rp 250,000 (\$25) per cow for our labour. This is not enough to feed our children let alone buy a calf," states Yakobus. "It was only after we joined YMTM's program that we were able to afford our own calf."

Yayasan Mitra Tani Mandiri (YMTM), a local NGO working with farmers to establish more sustainable farming practices, looked at ways to break this poverty cycle. "We recognised that unrestricted grazing of livestock was not effective for fattening cattle or protecting the environment," explains YMTM Director Josef Mann. "So, we trained

farmer groups to stall feed their cattle using nutrient rich legumes and other fodder plants which we encouraged them to grow in their gardens. But farmers still needed access to cattle so we created a cattle loan scheme," says Josef.

The innovative scheme was established with the support of the Australian Government through the Department of Foreign Affairs and Trade (DFAT). With this assistance YMTM purchase 345 calves that were loaned to eligible smallholder farmers. The scheme has been extremely successful. "Yuliana and I received our first calf in 2008," says Yakobus. "We stall-fed the calf for a year and sold it for Rp 4,500,000 (approximately \$450). We used this money to pay for school fees and to improve our home. We then took another calf on loan and sold that after 18 months for Rp 6,326,000. With the profit from that sale we were able to buy our own calf for Rp 3,500,000."

Stall feeding reduces the fattening time from three years to approximately 18 months, enabling farmers to turn over their cattle quicker and increasing their overall income. When the cattle are sold, the sale price is shared 55% for the farmer, 40% for YMTM and 5% for the farmer group. The farmer group reinvests these funds in savings and loans schemes



Aximilia Hati tending one of her calves in Fafinesu Village, West Timor.
(Photo: Nina FitzSimons)

“I will always be grateful to YMTM for giving my family this opportunity to turn our fortune around.”

- Aximilia Hati, cattle farmer

enabling other economic activities to be implemented within the village.

Since their first loan in 2008 Yuliana and Yakobus have grown their herd to eight head of cattle with two cows ready to calf this year. “The additional income has taken pressure off the family,” says Yuliana. “We have been able to re-thatch the roof of our home and build a toilet. We also could afford to have electricity connected last year.”

Aximilia Hati, a 42-year-old farmer from Fafinesu village, has also taken advantage of the cattle loan scheme. “I got my first calf in 2010 and kept it for just under two years. It reached 412 kg and I sold it for Rp 8,816,800 (approximately \$882). I have never had a cow reach that weight ever!” With the profit from the sale of the cow Aximilia bought her own calf in 2012. However, in that year her child had to sit the national school exams, and Aximilia sold the cow underweight to raise funds for the school fees. “I only got Rp 1,350,000 for that sale,” says Aximilia. “I was unable to afford another calf, so I took another calf loan from YMTM.” Aximilia has since recovered from the loss and currently has two cows of her own.

As part of the cattle loan scheme YMTM are working with the farmers to access better markets for the sale of the cattle. “We do collective marketing now,” explains Josef Mann. “Rather than rely on collectors coming to the village, where there were problems with scale weights and traders paying less than promised, we arrange the sale with the buyer directly. The buyer arranges for transport and pays a premium because

he can buy in bulk. The farmers get a better price up to 6% on average above the market rate and the buyer gets a regular supply of good quality cattle. All parties are happy,” says Josef.

This agro-enterprise approach is also gaining support from the government. “Every six months we hold a general assembly of West Timor famers where we invite government agencies and district heads,” explains Josef. “We now have the support of the District Livestock Service who are working with farmers to improve the cattle feed using local supplements, such as coconut sugar.”

The cattle loan scheme has also benefitted YMTM. “We were encouraged by DFAT to look at our cattle loan scheme as a social enterprise to reduce our dependency on donor funding,” says Josef. “In 2014 we established a Business Unit, which includes the cattle. We have established trading relationships with two major cattle buyers in West Timor. We are looking to expand our market to Java and Kalimantan, but it is early days still.” To date YMTM has a total of 3,498 head of cattle on loan which amounts to a total asset worth \$3,268,762.

As Yakobus, Yuliana and Aximilia prepare for the next collective market in January 2016 they are positive about the future. “I am a strong woman,” says Aximilia “And as long as I have the strength to collect fodder I will continue to raise my cows to secure my grandchildren’s future. I will always be grateful to YMTM for giving my family this opportunity to turn our fortune around.”

AIP-Rural

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AIP-Rural is a suite of programs that improves smallholder farmers access new markets, better inputs, knowhow and technology, irrigation and small loans. Its goal is to achieve a sustainable 30% increase in the net incomes of 1,000,000 male and female smallholder farmers in eastern Indonesia by 2022. AIP-Rural operates in East Java, West Nusa Tenggara, East Nusa Tenggara, Papua and West Papua.

The program focuses on agricultural sectors that have strong growth potential and are the main source of income for a large number of smallholder farmers. All of this is done through co-investing in new business models with local, regional, national, and international market players to create business models that improves the agriculture sector’s competitiveness, especially smallholder farmers.