

LESSON NOTE FOR WEEK THREE (3) ENDING 26TH SEPT, 2025.

SUBJECT: AGRICULTURAL SCIENCE.

TOPIC: AGRICULTURAL FINANCING

CLASS SS2

DATE: 22ND SEPTEMBER, 202

Meaning of farm/agricultural financing

Agricultural financing is the act of acquisition and the use of capital in agricultural business. It deals with the demand and supply of fund in order to carry out various projects on the field of agriculture.

Meaning of agricultural credit

Agricultural credit refers to a refundable loan granted to a farmer to enable him improve in his farming activities. It can also be defined as loan granted to a farmer by credit lending agencies for agricultural purposes.

Types of farm credit.

There are three major classes of farm credit.

1. Short term credit: This is a productive credit which the borrower is expected to pay back within a year. It may be used to purchase items that can easily be used up with optimum output. Examples are improved seeds, fertilizers, chemicals, fuel etc.
2. Medium term credit: This is the type of credit which borrower is expected to pay back within a period of two to five years. It can be used to purchase items that can be turned around or used within the farm frame and yield high profit. Examples are breeding of livestock, simple farm implement, building housing unit for livestock, erecting farm structure etc
3. Long term credit: This is a productive credit which is repayable within a period of five to twenty years. It attracts highest amount of money compared to short and medium term credit. It can be used to purchase fixed assets such as farm building, land, heavy duty machines etc.

Importance/significance of agricultural credit

1. It enables the farmer to acquire necessary modern farm inputs to improve and increase their efficiencies.
2. It helps farmers to acquire storage and processing facilities.
3. It improves the standard of farmers.
4. It helps farmers to take care of any prevailing condition in the farm such as pest and disease control.
5. It helps the farmer to insure their farm against hazards surrounding farming.

Agricultural subsidy.

This is a non-refundable aid granted to farmers to enable and encourage them in their production. It is also referring to a discount given to farmers by government agencies in the course of farm, purchasing agricultural inputs such as chemicals, fertilizers, improved seeds.

Interest: This is the amount paid on borrowed money/capital or an amount earned above the cost of goods.

Interest is usually paid on borrowed capital which usually comes along with loans. For example, if a farmer borrows ₦500,000.00 from a bank and the interest on the loan is 10%, it means the amount he will pay as interest is ₦50,000.00 per annum. When the farmer is paying back the loan with the interest, the total amount he will pay the bank is ₦550,000.00

Sources of farm financing or credits.

1. Agricultural banks: Example Nigeria agricultural and co-operative bank (NACB) was established in 1973 solely to grant loans to potential farmers. Only farmers can borrow money from the bank, hence it is called the farmers' Bank"
2. Commercial bank: Have departments that take care of loans given to farmers. Example of such banks are united Banks of Africa (UBA), Union Bank Plc, Wema Bank Plc etc.
3. Cooperative society: Members pool their resources together and whoever is interested in getting loans can obtain it from the society.
4. Credit and thrift society: Members contribute money in which they use in financing their farming business.
5. Self-financing: Money saved by individual to finance agricultural business.
6. Individuals: Money borrowed from friends, relatives etc to finance agricultural business
7. Money lender: People who lend money to farmers to enable them produce. They charge high interest rate.
8. Government agencies and government: These are department in government establishment or ministries responsible for granting credit to potential farmers.
9. Non-governmental organization: These are bodies set up by individuals or groups of people with the aim of rendering services or financial assistance to farmers.

Difference between credit and subsidy.

S/N	Credit	Subsidy.
1.	Credit is a repayable loan	It is non-repayable loan.
2.	It is always in cash	It may be in cash or in kind.
3.	It include bank loans, credit schemes and cooperative	It includes reduction in prices of input like chemicals, seeds, fertilizers, etc.
4.	It has a time period for its return	It is given and never to be returned.
5.	Government does not bear part of the burden of a loan.	Government bears part of the burden of the subsidy.

Implications of farm credits.

Reason why farmers find it difficult to procure loans from banks includes the following:

1. High interest rate: the percentage of interest charges on principal sum by banks is usually high and this discourages borrowing.
2. Lack of collateral: Most farmers do not have items of value that they can present as collateral to secure loans from financial institutions.
3. High level off loan defaulters. Farmers default in paying back the loan as at when due.
4. Diversion of loans. Some farmers divert the loan to areas for which the loans are not originally meant for.
5. Lack of proper farm record and account.
6. Unpredictable climate which can lead to crop failure.

7. Lack of insurance policy
8. Long gestation period of plantation.

Evaluation.

1. What is farm financing.
2. What is agricultural credit?
3. State three types of credit
4. Outline five significance of farm credit.
5. Outline 5 reasons why farmers fail to procure loans from banks.

Assignment.

1. Financial assistance from the government to the farmer is usually in the following forms except? A. loan. B. credit. C. tax. D. subsidy.
2. The assistance given to farmer by the government in form of reduction in price is----. A. input. B. loan. C. subsidy. D. credit
3. The following are sources of agricultural credit except? A. agricultural bank. B. cooperative society. C. commercial bank. D. mortgage bank.
4. Short term credit can be used to purchase the following except? A. improved seed. B. fertilizer. C. Herbicides. D tractor.
5. Investment with long life span in agricultural economics are otherwise known as----- . A. labour. B. capital. C. profit. D. savings deposit.