Page - 2
RBI CREDIT POLICY 2008-09

Page - 4
MINIMUM SUPPORT PRICE VIS - A' - VIS WHOLESALE PRICE

Page - 6
PRICE RISE COULD DIMINISH REFORMS: PM

Page - 8
EATING ORDER

Page - 9
REJUVENATION OF "UPAVASAM" PRACTICE BY FAMILIES IN INDIA

Page - 10
BANKS GET CREDIT FOR SHRINKING LOANS TO FARMERS

Page - 12
LOAN WAIVER HALF BUDGET ESTIMATE

Page - 13
INDIA INC'S NPA DOLE OUTWEIGHS FARM LARGESSE

Page - 14
NEWS DIGEST-POINTS TO PONDER
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Leading manufacturers in Agro chemicals
EDITORIAL
FARMERS ELECTION MANIFESTO
Consortium of Indian Farmers Associations (CIFA) has released a Farmers Manifesto and organized Raitha Yatra on the eve of Karnataka elections. Among the important issues raised are:
1) Non-implementation of National Commission on Farmers (Dr. M.S. Swaminathan) Report;
2) Support price of cost + 50% not being implemented by G.O.I.;
3) Continuous farmers suicides;
4) Restrictions by G.O.I. on Agriculture produce exports, trading, purchase by private sector etc.
A Team of CIFA leaders are organizing meetings with farmers and Press conferences in 20 centres. On the occasion of commencement of “RAITHA YATRA” at Bangalore on 6th May, Press Reporters asked us whether we are supporting any Political Party. CIFA is not inclined to support or oppose any political party in the Karnataka elections. CIFA is placing before the Political Parties a charter of following demands.
Dr. Manmohan Singh and his Government has agreed to implement 6th Pay Commission immediately, how could he not even talk of N.F.C. (Swaminathan) Report. Dr. Singh called the jawans when they expressed their displeasure at the Pay Commission decision. But he refused to call the farmers for discussion when the farmers raised objections. How could he discriminate between jawans and kisans?
Dr. Manmohan Singh & Co., claims taking India to Global economic level. Why not he take the blame for 30,000 farmers suicides every year? Will he please explain why the Naxalism is spreading and why he is not able to improve productivity and reduce the Disparity? Why is the main opposition party is harping on inflation but not on the increased cost of production to the farmers and increased M.S.P. as suggested by NFC Report?
A jawan has a pride in doing his job whereas a farmer is ashamed to do his job and he consider it as a disgraceful profession. How could India be considered as “Annapurna” if the farmers (“Annadathas”) have become perpetual beggars?
CIFA wishes to caution the Ruling party as well as the main Opposition party that their ideologies have outlived. The key to India’s Development is the willingness of farmers to do profitable Agriculture. The next one year is critical for the country as the political fabric is going to be thrown into pieces by the Regional parties and the warlords. But the Country has to sustain. Policy makers have to change their mindset and adopt a Marshal plan to boost the Agriculture sector. Big question is who has to do it?
CIFA campaign in Karnataka will have definite change in the electoral pattern. It will give a jolt to many leaders. Perhaps it will be a lesson to follow in future.
(P. CHENGAL REDDY)
EDITOR
May-2008
RBI CREDIT POLICY 2008-09

Policy pronouncements in respect of Agriculture

Loaning adversely impacting quantum of loans to Agriculture:
Policy Change
1. Augmenting RRBs’ Funds for Lending to Agriculture and Allied Activities

With a view to augmenting RRBs’ funds/resource base, commercial Banks/sponsor banks have been allowed to classify loans granted to RRBs for on-lending to agriculture and allied activities as indirect finance to agriculture in their books.

Adverse Impact

Banks are required to lend at least 18% to the agriculture sector, including indirect finance. Now sponsor commercial bank is allowed to include such loans to RRBs for on-lending to agriculture to be treated as indirect finance which amount is added (to be counted) for achieving 18% agri loans. The same amount is counted again as agri finance by RRBs also. This tantamounts to double counting lending to agriculture. This is not correct and amounts to Official Window Dressing of lending to agriculture. This kind of change allowing double counting should be withdrawn.

Policy Change
2. Weaker Sections’ Lending Target: Ensuring Adherence

These SCBs are required to lend at least 18 percent to the agriculture sector and 10 per cent to weaker sections.

At present, domestic SCBs having shortfall in the priority sector lending target and/or the agriculture sub-target are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) maintained with the National Bank for Agriculture and Rural Development (NABARD). It is, therefore, proposed to take into account shortfall in lending to weaker sections also for the purpose of allocating amounts to the domestic SCBs for contribution to RIDF or funds with other financial institutions as specified by the Reserve Bank, with effect from April 2009.

Adverse Impact:

This allowance enables banks to avoid lending to weaker sections by conveniently transferring the required amount to RIDF which will not directly benefit weaker sections by any stretch of imagination. This is done to avoid onerous duty to finance weaker sections and this easy facility of transfer of RIDF should be withdrawn.

Policy Change
3. Increasing Opportunities for Flow of Credit to Priority Sectors

In terms of the revised guidelines on lending to the priority sector, SCBs undertaking outright purchase of any loan asset eligible to be categorised under the priority sector from other banks and finance institutions and classify the same under the respective categories of priority sector lending (direct or indirect), provided the loans purchased are held at least for a period of six months. To enable greater flow of credit to the priority sectors, it is proposed to allow RRBs to sell loan assets held by them under priority sector categories in excess of the prescribed priority sector lending target of 60 per cent.
Adverse Impact:

RRBs are created expressly with the purpose of lending to agriculture and rural artisans. Earlier the lending target was higher. Subsequently, it is reduced to 60%, thus diluting the very purpose of creation of RRBs. Now, RBI is allowing selling of such loans above 60% to other banks. It is very convenient for other banks to purchase en-block thus avoiding onerous responsibility of direct lending to farmers, and reducing simultaneously amount already lent by RRBs.

This facility is negation of the spirit of opening RRBs and therefore should be withdrawn.

Policy Change

4. General Purpose Credit Cards and Overdrafts Against 'No-frills' Account as Indirect Finance to Agriculture Under Priority Sector

At present, 50 per cent of the credit outstanding under General Credit CARG (GCC) is allowed to be classified as indirect finance to agriculture under the priority sector. It is proposed: to permit banks to classify 100 per cent of the credit outstanding under GCC and overdrafts up to Rs. 25,000 against 'no-frills' accounts in rural and semi-urban areas as indirect finance to agriculture under the priority sector.

Adverse Impact:

As it is; counting 50% of such loans as finance to agriculture is wrong, as these are not directed towards either production or investment purposes. Now allowing counting 100% of such advance as agri finance is Doubly Wrong. This facility should be withdrawn.

General observations: Figures Magic and Mesmerisation:

The import of all these permissions, allowances and concessions is to Window Dress agri lending figures and some how show to the public that 18% target of lending to agriculture is achieved. These concessions in no way increase production and investment finance to agriculture, which alone helps in increasing agri production and productivity. Therefore this kind of Window Dressing is incorrect and farmer unfriendly, and should not have been attempted by such an august institution. On the other hand, RBI SHOULD HAVE FOUND WAYS AND MEANS OF INCREASING DIRECT FINANCE TO AGRICULTURE. We, therefore, urge RBI to withdraw these farmer unfriendly and agri production non-supportive measures in the interests of helping farmers in their investment and production efforts to Grow more food and other agriculture commodities, in these times of acute food scarcity.

5.a. Loans to agriculture increased by only 9% as against mandated 18%*

During Feb 2007 - Feb 2008 - Bank credit (non-food) increased by Rs. 3,90,000.

Loans to agriculture at 18% of mandated loans should have increased by Rs. 68,000 crores.

Instead the increase is only Rs. 34,000 crores, (9%), i.e; only half of what should have been given as loans to agriculture.

Non-Agri sectors share in incremental loans, including personal loans, is a whopping 91% i.e; 9 times more than what is given to agriculture.
The growth rate is decelerating. Instead of providing loans to the tune of Rs. 68,000 crores, only Rs. 34,000 crores are given.

This is happening year after year, ever since 1990s, thus depriving of growth opportunity for agriculture investment.

5. b. Agri Sector posts least growth rate since 2000*

1. Agri sector, on which nearly 60% of the people are dependent, grew by only 2.6% (average) in real terms from 2000 to 2008; whereas industry and service sectors on which only 40% people are dependant grew by 7.2% and 8.9% respectively, during the same period. While industry sector grew around 3 times more than Agri sector, Service sector grew nearly by 3½ times, during the same period. Roughly, 40% people engaged in non-agri activities get three times more income than 60% of people dependant on agri activities, thus further increasing rural urban disparities in incomes.

The question that needs to be debated and answered is whether the real value addition, in terms of essentiality and sustenance, by 60% of the agricultural dependant people deserves only one third of incremental income compared to value addition by 40% of the people taking away 2/3rd of the income? And what needs to be done to minimize the income disparities?
(Figures taken from the RBI Annual Policy Statement 2008-09)

MINIMUM SUPPORT PRICE V/S A’- V/S WHOLESALE PRICE

Though the difference between Minimum Support Price (MSP) and Wholesale Price (WSP) for essential commodities such as Moong, Urad, Gram, Arhar on an average was around 33% between December 2003 to January 2008, it has gone up beyond 60% in wholesale prices and retail prices in the same period, which shows that farmers and consumers remained hard hit due to huge difference in WSP and retail price, according to The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

Above conclusions were drawn by ASSOCHAM Paper on ‘MSP Vs. WSP & Their Impact on Retail Prices’ that studies essential commodities price trends for a period of 5 years, it also concluded that price difference between MSP and WSP for moong was highest by 45% in 2003-08 and trend is unlikely to be reversed. Normally, the difference between WSP and retail prices on an average stays around 20% but for supply of essential goods, it has been much more as seen in the findings of paper.

It further points out that for gram, the difference was 38.8%, Urad 25.4% and Arhar 21.4%, the average of which works out to be about 33% against their average price differential of 60% with retail price at which consumers bought them in the period. As regards wheat and paddy, the difference between MSP and WSP was 11.52% and (3.97)% respectively which is well within the acceptable limits.

Commenting on ASSOCHAM’s findings, its President, Mr. Venugopal N Dhoot said, “WSP benefited multiple times middlemen and traders, particularly for sa
of essential commodities and worst hit in the process remained farmer and consumer as farmers margins squeezed badly with consumers paying unreasonably higher prices. The ASSOCHAM Chief, however, hoped that with retail players like Reliance, Subhiksha etc. opening up their chains of retail outlets, consumers would benefit and farmers get reasonable price for their produce as organised retailers source their supplies directly from farm land for end users without involving middle men in the process.

These also reveal that MSP of Arhar increased by a mere 0.70% in 2007-08 over 2006-07 whereas wholesale prices moved by 32% for the same period. The MSP had shown a growth of 6.41% in 2007-08 over 2003-08 whereas the wholesale prices 27.77% for the same period. The wholesale prices varied from 10 to 15% to MSP across the markets. The retail prices are over and above 85% to the wholesale prices. The variation in the wholesale prices across markets is 10 to 20%.

Commodity   Percentage gap (%WSP-%MSP)
Moong        44.8%
Bengal gram  38.8%
Urad         25.4%
Arhar        21.4%
Wheat        11.52%
Paddy        (3.97)%

The MSP of moong remained unchanged in 2007-08 over 2006-07 whereas the wholesale prices had risen by 18%. The growth in the MSP is around 13.9% in 2007-08 over 2003-04. The wholesale prices had seen a phenomenal growth of 58.6% in 2007-08 over 2003-04. However the retail prices are above 60% compared to the wholesale prices. The wholesale prices are 2 to 3 times the MSP.

The MSP of gram had increased by a mere 0.70% in 2007-08 over 2006-07 whereas wholesale prices moved by 42% for the same period. The MSP had shown a growth of 18% in 2007-08 over 2003-04 whereas the wholesale prices had a growth of 56.77% for the same period. The retail prices varied from 20 to 35% when compared to the wholesale prices. The wholesale prices across markets showed a variation of 10 to 40% of the MSP.

The MSP of Urad had remained unchanged in 2007-08 over 2006-07 whereas wholesale prices have come down by 6% for the same period. The MSP had shown a growth of 13.85% in 2007-08 over 2003-04 whereas the wholesale prices 39.33 % for the same period. The retail prices have been above 60% to the wholesale prices. The wholesale prices across the markets are almost double the MSP.

The MSP for paddy had shown a growth of 1.8% in 2007-08 over 2006-07 and whereas WSP had a growth of 7.56% in the same period. The fluctuations in wholesale prices are very much high. The prices in the nearby markets for the same variety also differs by around 30 to 50%. The prices are sometimes below the announced MSP. The retail prices of rice have been around 45% to the WSP. There is no lack of market integration and supply chain and logistics are the main constraints for these fluctuations.

The MSP for Wheat had shown a growth of 15.38% in 2007-08 over 2006-07, which is the highest in the commodities under consideration. The gap between the MSP and WSP growth of wheat is 11.52%.
and has highest gap of 31% in the year 2007-08. There are fluctuations in wholesale prices. The inconsistency in wheat prices also adds to the problems of the farmers. The wholesale prices show a variation of 10 to 15% for the same variety across the markets. The wholesale prices are always on the higher side of MSP across all the markets unlike paddy. The retail prices varied from 50% to 70% when compared to WSP.

The cultivation and production of paddy is almost stagnant in the country and production is estimated at 91.05 million tonnes in 2007-08 slightly lower than 2006-07, that of 91.79 million tonnes. The FAO forecasts global Paddy production in 2007 at 633 million tonnes, which is 4 million tonnes above the estimate for 2006. India's exports grew at mere 5% in 2006-07 over 2005-06.

The production estimate of pulses in 2007-08 is at 14.11 million tonnes and the previous year production was 13.39 million tonnes. The imports of pulses had gone up by 20% in 2006-07 compared to 2005-06 and in value for the same period by 32%. There is a gap of about 15 per cent between demand and supply of pulses in 2006.

PRICE RISE COULD DIMINISH REFORMS: PM

NEW DELHI: The prospect of prolonged food shortages and rising food prices poses a challenge to the world community, Prime Minister Manmohan Singh said on Thursday while accepting the Agricola award from FAO's head, Dr Kandeh Yumkella.

"A steep rise in food prices will make inflation control more difficult and can thereby hurt the cause of macro-economic stability. Economic reforms would also diminish and pressures would mount for restrictive trade practices," Mr Singh said in his address, indicating that this has indeed become a key political worry as well for the ruling UPA, which he heads.

Calling for a new phase in the country's agricultural growth trajectory, he described food prices as the "kingpin" of the price structure in India. Among the gravest concerns in India was the potential of escalating food prices to slow down poverty alleviation, impede economic growth and retard employment generation.

The Green Revolution had run its course and, without urgently adopting new technologies, organisational structures, institutional responses and a new contract between the farming community, scientists, technologists, businessmen, bankers and consumers, the world community would fail to tackle this problem head-on, the PM held.

Rooting for a macro-perspective on the issue by nations and governments, Dr Singh held, "The global community and agencies must fashion a collective response that leads to a quantum leap in agricultural
productivity and output so that the spectre of food shortages is banished from the horizon once again."

Dr Singh firmly ruled out any possibility of the government responding to the crisis through a return to blind controls and by depressing agriculture’s terms of trade. He also signalled that the government was not inclined to sacrifice the interests of producers for that of consumers.

Reiterating his government’s commitment to the promotion of the welfare of the entire agricultural community, he said that a progressive increase in agricultural productivity and incomes was essential both for the removal of mass poverty and for creating an expanding market for industrial products.

Significantly, the PM acknowledged that the world food situation had become more complex due to the biofuel juggernaut factor. "It is particularly worrisome that the new economics of bio-fuels is encouraging a shift of land away from food crops," he said.

Climate change and global warming, the other key cornerstones of the drastic changes happening in the world food scenario also came in for grave concern. "(They) may have a harmful impact on land productivity and water availability," the PM asserted, calling for urgent and concerted global action to grasp the impact of climate change on agricultural production worldwide.

Readers' Opinions
Write to Editor
Price rise could diminish reforms: PM

1. K. Ramasubbareddy, Hyderabad, says: The P.M. rightly stated that blind controls should not be resorted to, to contain inflation and producers interested will not be sacrificed. We thank him for taking such a clear and reasoned stand. Having said that, we urge the P.M. to initiate immediate remedial action by ensuring that the productivity is enhanced by galvanizing extension services into action, sending them to fields and educate farmers in the ways of enhancing productivity and make them responsible for the output increase per acre. The slumbering research institutions should be woken up, charged with the task of developing improved varieties of seeds and 100% seed replacement and make them accountable for results. Focussed attention on improving yields in dry land farming is the need of the hour. Greater investment in micro irrigation, water bodies repairs and development, providing assured power for agri. pumps sets, improving storage and marketing facilities are some of the important thrust areas to improve productivity. Finally, the farmer should get fair compensation for his produce which motivates him for higher productivity. The Swaminathan committee recommendation of fixing MSP at C2 + plus 50% is fair and just and should be implemented from this kharif season. When export of agri. produce is banned in the interests of nation's food security, the producer should be compensated by ensuring a fair price for the produce based on the C2 plus 50% formula. DIR interest rate is to be extended to all loans given to small and marginal farmers and dry land farmers up to a limit of Rs25000. Banks should be charged with the
responsible of extending investment and production credit to all farmers. Crop insurance with village as the unit, covering major crops is to be introduced. These measures will certainly and surely improve productivity and INDIA can achieve the status of net exporter of agri produce again and benefit from the price hike of agri produce internationally. The animal spirits of the farmers are now dormant because of their distressing conditions. When these spirits are roused by the above measures, the farmers will respond positively & productively and produce in abundance by increasing yields. YES, Mr. PRIME MINISTER, THE FARMING COMMUNITY IS LOOKING TO YOU TO TAKE THE LEAD AND INITIATE MEASURES TO ENABLE AND EMPOWER THEM TO SHOW RESULTS.

K. R. S. R E-mail : konda42@yahoo.com

(Source : Economic Times)

EATING ORDER

Why private buyers largely kept away from wheat procurement this year, as has been reported in this newspaper, may be an interesting story. It would not be staggering surprising if we find out that non-market official signals had gone out that private buyers must be mindful of the food crisis and therefore respect the need for the government to bulk up its food reserve. Food crisis - everyone is talking about it and making each other nervous. When the government gets nervous it starts making policy, however. So it is important to always try to calm the government down, difficult as that endeavour is. So let's recall a few facts for the government's benefit. First, India's agriculture was suffering from low productivity and therefore subprime output performance much before food became a global media story. Second, small increases in productivity can bring huge supply gains for India. If foodgrain productivity grows back to levels achieved by the Green Revolution, never mind US or Australian levels, India can feed its population and have mountains left for export. Third, productivity can increase in the short term even without big-ticket policies like stepping up irrigation coverage. China has on average poorer quality arable land and less irrigation coverage than India. But its yield levels for many crops are far higher. Better farm practices, including better use of technology, explain the difference. Fourth, fragmented landholding is a problem that cannot be wished away. When 60 per cent of land holdings are below 2 hectares, farming has a fundamental problem.
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BANKS GET CREDIT FOR SHRINKING LOANS TO FARMERS

NEW DELHI: In the season of jumbo loan waivers for the farm sector, this is the dog-eared story of how the buck, literally, hardly got to the small man in rural India. It is also the tale of how the small borrower has had to compete directly with the strong borrower for loans and how banks, including RBI policy makers, contributed directly to the dilution of norms enabling weaker section borrowings.

Although the small and marginal farmer has a good repayment record on crop loans, the percentage of such loans has been nosediving as a part of overall banking loans. Variations of moneylenders have come to play a nodal and entrenched part of the village socio-politics and economics. According to P Sainath, Magsaysay Award-winning writer on rural issues, the percentage of bank debt by farmers in most states apart from Kerala is way below (27%) the percentage of debt to money lenders and the withdrawal of banks - who stand now to benefit from the Rs 60,000-crore loan waiver to the farm sector - from rural India played a key role in this.

There has also been a drastic fall in the bank accounts of small borrowers over the decades. The November 2007 NCEUS report by the Arjun Sengupta panel on financing unorganised enterprises asserts that between 1972 and 1983, there were 21.2 million additional bank loan accounts in the aggregate nursed by the scheduled commercial banks, of which 19.8 million, or 93.1%, were accounts with a credit limit of Rs 10,000 or less.

The trend of focusing on small borrowal accounts continued for another decade. Between March 1992 and March 2001, however, there has been an absolute decline of 13.5 million in the aggregate bank loan accounts. This has happened entirely because of a larger decline of 25.3 million accounts for the redefined small borrowal accounts of Rs 25,000 or less. In the post-banking sector reforms period, during 1992-93, small borrowal accounts (Rs 25,000 and below) went down from 62.55 million in March 1992 to only 38.73 million by March 2005, according to the Bank Statistical Returns report of RBI.

Even the basic infrastructure of a bank has been denied to the small loanee. In recent years, the number of commercial bank branches in rural areas declined from 35,134 in March 1991 to 30,572 in March 2006, in an apparent reversal of the trend in extending bank facilities that began in the early 1970s after the nationalisation of major private commercial banks. According to NCEUS chairman Arjun Sengupta, a large number of vacancies have remain unfilled for quite some time.

Contrary to the money lender - usually an entrenched part of the local community and aware of the needs of individual families - a number of new-generation private banks resort to hiring employees through contract agencies, resulting in a disconnect between banking institutions and their goals and responsibilities on the one hand and the commitment of employees on the other. Consequently, first-generation entrepreneurs suffered.
Referring to the severe shortage of informed bank staff at the rural level, the committee has maintained scathingly, "A close look at RBI guidelines/directives to banks, particularly the April 30, 2007, priority sector guidelines, ... reveal that apathy either deliberately or by mistake also exists at the top and policy-planning level... as the credit system operates under the existing guidelines of RBI, it emerges that the small borrowers are competing with large and strong borrowers."

The RBI report on trend and progress of banking in India, 2004-05, speaks volumes on the extent to which the coverage under priority sector lending increasingly been diluted, enabling big borrower loans at the direct expense of small borrower loans.

As part of the so-called process of "aligning bank credit to the changing needs of society", the scope and definition of the priority sector, once dominated by small farm-related loans, were fined-tuned by including new items and enhancing credit limit of constituent sub-sectors to more than Rs 40 lakh.

**Banks get credit for shrinking loans to farmers**

K. Ramasubbareddy, Hyderabad, says: In post reform era, there has been studied indifference of financing priority sectors. Neither the Government nor the RBI, bothered to reverse the trend. It was only in 2004 the trend was reversed after UPA Government fixed targets for doubling loans to agriculture in 3 years period. Banks vied with each other and more than doubled the loans during the said 3 year period. How they could do it, when they found it "infeasible" to give more loans prior to that period surprises everybody. The RBI also very silently refined priority sector and allowed loans given to big borrowers also to be included under this category. It is very clear that during the decade commencing from 1991, the successive governments deliberately neglected loaning to agriculture sector, the RBI was a silent spectator and banks took cue from this and decelerated the the quantum of loaning to priority sectors. When the government wanted the quantum to be enhanced the banks did it hurriedly and the RBIs revised definition also helped in showing that the loans as more than doubled in 3 years. It is another thing that this huge increase in loaning to agriculture did not have any impact either on production or yields of agricultural produce. Both were near stagnant and we were made to import wheat at high prices during the "doubling of loans "period. So what happened to all the incremental loans for more than Rs 1 lakh crores!! A deep study is needed to unravel this enigma. If loans to agricultural production do not contribute to increase in production, the precious money poured into the channel is obviously wasted. Should not the RBI study the phenomena, find out causes and then remedy the situation? Or is it too much to ask such inconvenient questions to Central Bank! Regarding decrease in the number of small farmer accounts, in addition to revised definition of priority sector, massive write off of such small loans during late 90s and early period of this century, to show less NPAs by banks, is the cause, for this which data is available with the RBI.
LOAN WAIVER HALF BUDGET ESTIMATE

Farmer repayment record also immaculate.

The amount of loans to small and marginal farmers that commercial banks, cooperatives and regional rural banks have been asked to waive is likely to be slightly over Rs 23,000 crore, less than half that estimated by Finance Minister P Chidambaram in his Budget speech.

The share of this due to commercial banks is probably around Rs 6,000 crore - the total overdue from all farmers to commercial banks is around Rs 10,000 crore.

According to data culled from the Reserve Bank of India’s Trend and Progress of Banking in India, apart from the Rs 10,000-crore overdues from all farmers in favour of commercial banks, another Rs 3,000 crore was overdue to regional rural banks and around Rs 25,000 crore to various co-operative sector banks.

Of this, around 60 per cent, or Rs 23,000 crore, was on account of small and marginal farmers (defined as those with under two hectares of land) - this assumes the share of large and small farmers in overdues is the same as that for the total debt as revealed by the NSS rural indebtedness survey for calendar year 2003.

GOOD CROP OF LOANS

Bad loans are less than estimated.

<table>
<thead>
<tr>
<th>Figures in Rs crore</th>
<th>Small Farmers</th>
<th>Large Farmers</th>
<th>All Farmers</th>
<th>Total overdues</th>
<th>Budget estimates for 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>28,940</td>
<td>21,811</td>
<td>7,929</td>
<td>75.4</td>
<td>NA</td>
</tr>
<tr>
<td>2004</td>
<td>33,544</td>
<td>25,002</td>
<td>8,542</td>
<td>74.5</td>
<td>97</td>
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<tr>
<td>2005</td>
<td>45,454</td>
<td>35,733</td>
<td>9,721</td>
<td>78.6</td>
<td>95</td>
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<tr>
<td>2006</td>
<td>46,567</td>
<td>37,298</td>
<td>9,269</td>
<td>80.1</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: When Loans Repaid/New Loans exceeds 100, it means old overdues are being repaid as well.

Source: RBI Report on Trend and Progress of Banking in India, various issues.

The last year for which data are available, 2006, shows that apart
paying off current loans, farmers were paying off a portion of old overdues as well. With this track record of payments, there is little reason to think that banks would hesitate to extend fresh credit to farmers.

In terms of equity, the finance minister hasn't given the farm sector anything more than he has given to lower middle class urban Indians.

On average, with around Rs 23,000 crore of overdues from small/marginal farmers, this means that the average small farmer has received a gift of around Rs 3,100 a figure that's marginally less than the tax relief given to those earning Rs 1.5 lakh a year - with the income tax kicking in at Rs 40,000 extra, that's a Rs 4,000 tax relief for those earning Rs. 1.5 lakh. The average person in the Rs 1.1 lakh to Rs 1.5 lakh category will receive a Rs 2,000 tax benefit.

Though the finance minister has not spelt out details of how this waiver is to be made good to the banks, including those in the cooperative sector, it is unlikely to make much of a dent in the fiscal deficit.

Even if the entire Rs 23,000 crore is to be paid to the banking system in a year, rather than in three years as has been indicated by the finance minister in various post-Budget interviews, that is less than one half of one per cent of the projected 2008-09 GDP of Rs 5,303,770 crore. If the money is to be made good in three years, the impact falls even more dramatically.

INDIA INC'S NPA DOLE OUTWEIGHS FARM LARGESSE

Not with standing the brouhaha over the largest write-off for farmers amounting to Rs 60,000 crore, the government has said the amount of corporate sector NPAs written off by public sector banks in the past five years at Rs 20,532 crore is five times that of NPAs written off in the agriculture sector at Rs 4,436 crore.

This was revealed by finance minister P Chidambaram in a reply to a question in the Rajya Sabha. The NPAs written off on account of retail loans is to the tune of Rs 10,614 crore, as per data provided by public sector banks.

Banks write-off amounts in NPA accounts in accordance with their board-approved policies and RBI guidelines, either as part of compromise settlement with borrowers or where the debt has been classified as a loss asset. While private banks have written off Rs 8,845 crore during 2002-03 to 2006-07, state-owned banks have written off Rs 47,114 crore during the same period.

The farm waiver scheme, widely seen as a populist measure ahead of the general elections in 2009, was announced in the budget. Of the Rs 60,000 crore, cooperative banks account for over Rs 35,000 crore, scheduled commercial banks and their RRBs account for another Rs 20,000 crore. The scheme was received amidst concerns on the impact on the fisc and a credit culture that could get impaired.

The scheme will be implemented by June 30, 2008. Farmers will be entitled to fresh agricultural loans from banks after June 30. Last month, the Union Cabinet approved the farmers' debt relief fund with

May-2008
an initial corpus of Rs 10,000 crore. The fund will be enhanced by Rs 15,000 crore in 2008-09, Rs 15,000 crore in 2009-10, Rs 12,000 crore in 2010-11 and Rs 8,314 crore in 2011-12. The total cost of the write-off will be Rs 60,314 crore.

Under the scheme, marginal farmers holding up to one hectare and small farmers holding up to two hectares are eligible for a complete waiver of all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. Other farmers, are eligible for a one-time settlement (OTS) scheme for all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. Under the OTS, a rebate of 25% will be given against payment of the balance of 75%.

Comments:

Farmers are by far the best repayers of loans. Fixed to the land they till, they repay loans as a rule except when the income from yields is not sufficient to repay the loan. The case with corporate sector is different. We have seen "sick" industrial units but not "sick" owners and executives of these units. What the Finance Minister said once about concessions and exemption of taxes and duties to industries, that every such concession has a father and a grand father is also equally true of write off of corporate loans by banks. These write offs should be widely published and public comments invited. Then the real truth comes out how healthy and wealthy are the owners and executives of these "sick" industries!!!

(Source: Economic Times)

NEWS DIGEST-POINTS TO PONDER

Agri Sector posts least growth rate since 2000 *

1. Agri sector, on which nearly 60% of the people are dependant, grew by 2.6% (average) in real terms from 2005:2008, whereas industry and service sectors on which only 40% people are dependant, grew by 7.2% and 8.9% respectively, during the same period. While industry sector grew around 3 times more than Agri sector, Service sector grew nearly by 3.3 times, during the same period. Roughly, 40% of people engaged in non-agri activities get three times more income than 60% of people dependant on Agri activities, thus further increasing rural urban disparities in incomes.

The question that needs to be debated and answered is whether the real value addition, in terms of essentiality and sustenance, by 60% of the agriculture dependant people deserves only one third of income compared to real value addition by 40% of the people taking 2/3rd of the income? And what needs to be done to minimize the income disparities?

2. Loans to agriculture increased by only 9% as against mandated 18%*

During feb2007- feb 2008 -loans to agriculture by the banks increased only by 9% (Rs 46,000/= crores) as against 12% growth during similar period in 2006-07 and as against mandated 18%. Non-Agri sectors share in incremental loans, including personal loans, is a whopping 91% i.e. 12 times more than what is given to agriculture. The growth rate is decelerating. Instead of providing loans to the tune of Rs 92,000= crores, only Rs 46,000 crores are given, thus depriving of growth opportunity for agriculture investment. Is it then any wonder that increase in Agri sector income is only 1/3rd of other sectors? What measures should be taken to increase agri loans to 18%?

*(Figures taken from the RBI Annual Report, Statement 2008-09)
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