

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:3567
ANSWERED ON:15.05.2006
AVAILABILITY OF CREDIT OF FARMERS
Rao Shri Kavuru Samba Siva

Will the Minister of AGRICULTURE be pleased to state:

- (a) the problems reportedly being faced by farmers in marketing their produce at remunerative prices;
- (b) the extent of credit available to farmers along with the rates of interests being charged;
- (c) whether the Government proposes to formulate a policy and provide adequate low interest credit to farmers to ease the situation by enabling them to fetch attractive returns as incentive for greater output; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTILAL BHURIA)

(a): The prices of agricultural commodities are generally decided by demand and supply and the Minimum Support Prices declared by the Government for various commodities from time to time. In view of the regulation of the marketing of agricultural commodities by the State Governments under provisions of State Agricultural Produce Marketing (Regulations) Acts, the present markets have acquired the status of restrictive and the monopolistic character providing no help in direct and free marketing. This has also restricted the processing industry from buying directly from the farmers. Since the produce under the provisions of the Acts is required to be canalized through licensed traders and regulated markets the farmer is restrained from entering into direct contract for selling his produce directly to any food processing industry. These restrictions are acting as disincentive to farmers, trade and industry. Other problems faced by the farmers in marketing their produce at remunerative prices are lack of appropriate infrastructure for grading, packing, storage including cold storage facilities, transportation, marketing intelligence etc., multiple intermediaries and low price realization from the ultimate retail prices.

(b) to (d): Under the deregulated interest regime, Commercial Banks are free to determine their lending rate. However, as a special dispensation to the farm sector, since July, 2003, all Public Sector Commercial banks have revised interest rate on crop loans upto Rs.50,000/- to 9.0% or less.

In the Union Budget for the year 2006-07, it has been announced that effective from Kharif 2006-07, farmers would receive crop loans upto a principal amount of Rs.3 lakh at 7% rate of interest and the Government of India would provide necessary interest subvention to National Bank for Agriculture and Rural Development (NABARD) for this purpose. Further, in order to provide relief to the farmers who have availed of crop loans from Commercial Banks, Regional Rural Banks (RRBs) and PACS for Kharif and Rabi 2005-06, an amount equal to two percentage points of the borrower's interest liability on principal amount upto Rs. one Lakh has been credited to his/her bank account before 31st March, 2006. Government have provided a sum of Rs.1,700 crore for this purpose in the Union Budget for the year 2006-07.