NABARD NEWSLETTER

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NABARD FORAYS IN CO-FINANCING, SIGNS MOU WITH CANARA BANK

NABARD signed an MoU the ninth such MoU in a series on 31 October 2003, with Canara Bank for co-financing projects in rural areas . Shri C Ganapathi Rao, CGM on behalf of NABARD and Shri R. Prabha on behalf of Canara Bank signed the documents.

Earlier, NABARD has signed MoUs with Union Bank of India, Punjab National Bank, Corporation Bank, Dena Bank, Central Bank of India, Bank of India, Bank of Maharashtra and State Bank of Patiala. Similar MoUs will be signed by NABARD with other commercial banks having major network of branches.

Under co-financing, NABARD has received 32 projects which include agro-processing, food / infrastructure park, plantation & horticulture, wasteland development, moder nisation of abattoir, trash fish products, bio-power generation, dairy farming, forest plantation, poultry, etc. NABARD has sanctioned four projects, two for raising eucalyptus and bamboo plantation in five districts of Andhra Pradesh, each having project outlay of more than Rs. 26 crore (along with Bank of Maharashtra), one for floriculture unit at Bangalore with project outlay of Rs. 18.43 crore (with Bank of Baroda) and one with project outlay of 5.32 crore for plantation of vanilla and black pepper as also for production of organic fertiliser (with ING Vaisya Bank). For the year 2003-04, NABARD has earmarked Rs.1,200 crores for co-financing the projects.

Co-financing of projects by NABARD, it is expected, will further boost credit in promoting rural projects with higher financial out lays.

INTEREST RATES SLASHED

The Bank has reduced the loan slabs for refinance from four to three which are (i) upto Rs.50,000 (ii) Rs.50,001 to Rs.2 lakh and (iii) above Rs.2 lakh. The Bank has reduced the rate of interest on refinance up to 125 basis points. With the revised structure, NABARD will charge rate of interest of 6.00% on refinance towards all loans upto Rs. 50000 and 6.75% p.a. in respect of all loans above Rs. 50000. However, in the case of loan above Rs.2 lakh for Farm Mechanisation, Agri-clinics, Cold Storage, Rural Godowns, NABARD will charge interest rate of 7.25% p.a.

In North Eastern Region including Sikkim and Andaman and Nicobar islands, the Bank will provide refinance at interest rate of 6.00% p.a. irrespective of loan size for all purposes. The revised interest rates will be applicable from 12 November 2003.

NABARD INTEREST RATES ON SCHEMATIC REFINANCE

	NE Region including Sikkim A&N islands	Other Regions	
Loan Size	**For All Purpose**	**MI, DLF, LD, WLD SGSY, SHG, SC-ST Action Plan, OF Contract Farming under AEZ*, A&M**	**FM / Agri Clinics Cold Storage / Rural godowns, Rural Housing NFS and Others**
Upto Rs.50000	6.00	6.00	6.00
From Rs.50001 to Rs.2 lakh	6.00	6.75	6.75
Above Rs.2 lakh	6.00	6.75	7.25

* AEZ not applicable for SCARDBs

Vigilance Awareness Week

Vigilance Awareness Week as directed by the Cental Vigilance Commission was observed in all offices of the bank. On this occasion, Dy. Governor RBI and Coordinating authority for NABARD gave message which is produced below:

Dear friends,

... You are well aware that NABARD has been playing a pivotal role to improve the living conditions of the rural poor and bring prosperity in rural areas through various schemes. In these days of globalisation and liberalisation, the expectations of our clients i.e. CBs, Cooperatives, RRBs, State Govts., NGOs etc. as also our stakeholders viz. RBI & GoI. are high. ..NABARD has ventured into new areas like extending help in promoting SHGs, support to NGOs engaged in rural development, financing state govts. for rural infrastructure, providing consultancy services, etc. I call upon all Nabardians to be transparent in all the dealings, maintain the high standards of integrity befitting an organisation of NABARD status and extend their co-operation to make the organisation more vibrant and strong.

Vepa Kamesam
Dy. Governor,RBI /
Co ordinating Authority NABARD

Thanks to the renewed worldwide interest in traditionally accepted medicinal plants, a very good market internationally is coming up for the medicinal plants. Among the most lucrative plants is "Stevia rebaudiana" or *Stevia*, a native of Paraguay, which provides a whopping Rs.11.05 lakh returns in a cycle of three years. Member of Compositae family (sunflower), Stevia is a sweet herb and is fast becoming a major source of high-potency bio-sweetener for the rapidly growing market for "*natural*" foods, replacing chemical sweeteners and even table sugar. Considered to be 300 times sweeter than sugar in its natural state, Stevia is useful in regulating blood sugar, preventing hypertension, treatment of skin disorders, and prevention of tooth decay. Studies show that it is a natural antibacterial and antiviral agent as well. On top of that, it is calorie and carbohydrate free and hence a great sweetener choice for diabetics, and those watching their weight.

Cane production in India is in trouble particularly due to excessive use of irrigation. Stevia, therefore, opens up new avenues for crop diversification and a viable alternative to sugarcane. The sweetness in the leaf is due to the presence of an intensive-sweetening agent called *Stevioside*. The leaf of Stevia contains 15-20% of Stevioside.

There is a potential to use Stevia in soft drinks, confectionery, bakery, etc. instead of sweeteners with known adverse side effects in the long run. Stevia prevents tooth decay with its anti-microbial property. Majority of the supplementary food products for diabetic patients emphasize on the fiber and protein content. The addition of Stevia leaves, dried or in powder form, in such products would not only aid in increasing the natural sweetness but would also help in rejuvenating the pancreatic gland. Apart from this, Stevia is nutrient-rich, containing substantial amount of protein, calcium and phosphorus. Besides, Stevia can also be used as a household sweetener in preparation of most Indian sweetmeats.

Cultivation Method

Soil Type and Land preparation : Stevia plants grow best in rich, well-drained soils like red and sandy loam soils. The soil should be of fine tilth and a neutral pH level. The land should be initially harrowed and then ploughed to break down the clods. The site should not be susceptible to flooding or pudding. The raised beds should be of 15 cm (height) and 60 cm (width). The distance between two rows should be 40 cm and that between each plant 23 cm. This would give a plant population of around 30,000 per acre.

Irrigation : Micro-sprinklers / drips are the best method of irrigating Stevia plants to avoid damage by excessive levels of moisture. Frequent light watering is recommended during the summer months while once a day during winter months would suffice.

Fertilizer: Stevia plants respond well to fertilizers with lower nitrogen content than fertilizers with phosphoric acid or potash content. Most organic fertilizers would work well since they release nitrogen slowly. Since the feeder roots of Stevia plants tend to be very near to the surface, it is a good idea to add compost for extra nutrients if the soil is sandy. The recommended dose of fertilizer is 110:45:45 NPK/ac. This requires 41/2 bags of urea, 2 bags of DAP and 2 bags of Potash. The entire dose of DAP is applied as the basal dressing. The Nitrogen and Potash fertilizer can be split and applied as ten doses in every month. Nitrogen application is a must for the production of dry mattes.

Deweeding & Maintenance : There is no pest and disease incidence in this crop. In case any disease symptom is noticed, spraying of Neem oil diluted in water is the best organic method. Removal of weeds can be done manually. Since the crop is grown in raised beds, inter-cultural operations are easier by manual labour. Flowering of the plant should be avoided. Pinching

Stevia Cultivation
Model Scheme - 1 acre Farm

in Rupees

Items	I Year	II Year	III Year
A. Expenses >			
Land Preparation & preparation of beds	2,000.00	0.00	0.00
Cost of planting materials @Rs.8/- per plant for 30,000 plants (including transplantation cost of Rs.5,000/-)	2,45,000.00	0.00	0.00
Cost of plantation	1,000.00	0.00	0.00
Gap filling, plant cost & plantation	0.00	15,000.00	15,000.00
FYM & fertilizers & their application	25,000.00	25,000,00	25,000.00
Irrigation	4,000.00	4,000.00	4,000.00
Micro-sprinklers	30,000.00	0.00	0.00
Plant protection measures	1,000.00	1,000.00	1,000.00
Hand weeding - 10 times	4,000.00	4,00.00	4,000.00
Harvesting expenses - labour, etc.	5,000.00	5,000.00	5,000.00
Drying arrangement - fans, dryers, etc.	15,000.00	0.00	0.00
Post harvest	5,000.00	5,000.00	5,000.00
Supervisory charges	18,000.00	18,000.00	18,000.00
Contingencies	2,000.00	2,000.00	2,000.00
Total Expenses >	**3,57,000.00**	**79,000.00**	**79,000.00**
B. Income >			
Sale of dried leaves - 2700 kgs @Rs.200/- per kg.	5,40,000.00	5,40,000.00	5,40,000.00
Net profit (B - A) >	**1,83,000.00**	**4,61,000.00**	**4,61,000.00**

of the apical bud would enhance busy growth of the plant with side branches.

Harvesting : First harvest can be made after 4-5 months while the subsequent harvests can be made every 3 months for 3 years. The plants are cut just before flowering as the sweetener in the leaf is the maximum at that time. Leaves are harvested by plucking in a small quantity, or the entire plant with the side branches is cut leaving 10 to 15 cm from the base. The expected average yield would be 2700 kgs. of dried leaves per acre which is presently marketed at Rs.400 per kg.; only Rs.200 per kg. is recokned for our calculation.

Post Harvest : The harvested branches are dried in a shade and the dried leaves are stripped off from the branches. The dried leaves are powedered, sieved and the fine powder is stored in containers.

Marketing : Though relatively new to India, its marketing infrastructure is fast taking shape. At pesent, M/s Growmore Biotech Ltd. in Tamil Nadu and M/s S H Kelkar & Co., Bombay reportedly supply planting materials with a guaranteed buy-back. Some more companies are expected to enter buy-back scene shortly. Hence, marketing should pose no problem. However, the prospective farmers themselves would be required to negotiate directly with the companies buying back and finalize their commercial and other terms. The total expenditure for the three-year life of the plant in one acre is likely to be Rs.5.15 lakhs as against which, the total income for the same period would be expected to be Rs.16.20 lakhs. This leaves a net profit of Rs.11.05 lakhs which is by far the highest that can be obtained from any crop currently being cultivated in India. Being a medicinal plant coming under horticultural crops, Stevia cultivation entitles one to tax-free returns. Subsidy may also be available from National Medicinal Plants Board. Financial support from Banks should be available for the cultivation of Stevia.

RIDF INTEREST RATES REVISED

Keeping in view the declining interest rates scenario and the need to further rationalise the interest rate structure under the Rural Infrastructure Development Fund (RIDF), it has been decided, to restructure the lending and deposit rates in respect of the undisbursed amounts of RIDF-IV to IX with effect from November 1, 2003. The revised rates are:

NEW INTEREST STRUCTURE				
RIDF	Interest rates on deposits payable to banks		Interest rates on loans by State Governments	
	Existing	Revised	Existing	Revised
IV to VII	8 per cent	6 per cent	9 per cent	7 per cent
VIII	Linked to shortfall, varying between 8 to 5 per cent	Varies between Bank Rate and Bank Rate minus 3 percentage points depending upon the extent of deficit in lending to agriculture (i.e., currently varies between 6 % & 3 %	8.5 per cent	Bank Rate + 0.5 percentage point (i.e., currently 6.5 %
IX	Linked to shortfall varying between Bank Rate + 1.5 per cent to Bank Rate -1.5 per	- as above -	Bank Rate + 2 per cent	- as above -

In the case of RIDF-VIII and IX, therefore, the rates of interest on deposits will continue to be linked to the shortfall in lending to agriculture and will be as follows :

Sr. No.	Shortfall in lending to agriculture in terms of percentage to Net Bank Credit	Rate of interest on the entire deposit to be made in RIDF VIII and-IX (Per cent per annum)
1	Less than 2 percentage points	Bank Rate (6% at present)
2	2 and above, but less than 5 percentage points	Bank Rate minus 1
3	5 and above, but less than 9 percentage points	Bank Rate minus 2
4	9 percentage points and above	Bank Rate minus 3

It may be recalled that the RIDF was established with the National Bank for Agricultural and Rural Development in terms of Union Finance Minister's Budget speech for the year 1995-96 for assisting the State Governments and State owned corporations for quick completion of the on-going projects relating to minor and medium irrigation, soil conservation, watershed management and other forms of rural infrastructure. Domestic scheduled commercial banks, both in the public and private sector, are required to contribute to the RIDF on the basis of their shortfall in lending to priority sector/ agriculture. So far, nine tranches of RIDF have been established with aggregate corpus of Rs 34,000 crore.

OBITUARY

Shri Shankarrao Narayanrao Joshi (74), Member, Board of Directors, NABARD passed away on November 16, 2003. Shri Joshi, also the Trustee of Pravara Institute of Research and Education in Natural and Social Science Rural Education,Loni, Dist. Ahmednagar in Maharashtra, was an eminent cooperator. The first graduate from the area he started his career as accontant and rose to the post of Director. Shri Joshi who was associated with NABARD since May 2001, contributed significantly in the formulation of the Bank's policies. He is survived by wife Smt. Kusumtai, a son, a daughter, a daughter-in-law and grandchildren.

MY VISION FOR NABARD

India, it is said, has arrived on the international scene and many have started talking about vision of new India. Against this backdrop, NABARD Newsletter found it appropriate to let our executives share their vision of what this organization should blossom into. Here is the first such essay by Shri R. Balakrishnan, Executive Director.

NABARD is a development bank. According to Shri Narayan Vaghul, the eminent banker, a development bank should be able to operate on the frontiers of risk. It is never avoidance of risk but management of risk. According to the well known management guru Tom Peters, not taking the risk is the greatest risk of all. I would like NABARD to explore and tap the potential for enterprise that lie dormant in the minds of rural people and do every thing to realize them even if they are perceived risky on the face of it.

Today, a family depending solely on agriculture gets only 17% of the income of the others. Agriculture has become synonymous with poverty. This situation can and should change. For this purpose, the critical input is not material but managerial. The farmer and farming has to be mainstreamed through application of supply chain management principles. Under the WTO regime, it will be the competition among different supply chains and not among different corporate bodies. Netherlands, Australia and USA have perfected this art. Supply chain management briefly refers to a collaborative relationships between the different players in the vertical chain rather than exploitative, coupled with the use of information and communication technology for dissemination of relevant data and knowledge in real time. In India the middlemen not only absorb the value but also block the relevant market information from farmers. NABARD should facilitate chain management with the common thread of direct and indirect credit to all players. It is the credit plus approach.

With rural prosperity as its mandate, NABARD cannot remain confined to cities with a token presence in the districts. It has to have full-fledged operational offices covering about fifty lakh of rural population, which means 4-5 districts supported, by the state level office.

As I see it, the Central Government would only be too willing to transfer their share holding in the Regional Rural Banks to NABARD, which would facilitate unprecedented access to all segments of the rural population. The principles of credit marketing and relationship banking can go all the way to rural areas.

There is still much confusion about who is the client for NABARD. The client is <u>not</u> who pays for the services but who ultimately is the user. In that sense, the farmers, artisans, rural women, agriculture labour and rural entrepreneurs are the clients of NABARD. All the initiatives of NABARD have to be tested on the touchstone of their needs and aspirations to be directly ascertained from them. The confusion of taking the channels as clients has resulted in much wastage. The potential linked plans of NABARD do not reflect the potential, in the minds of the client population. I would like NABARD to be an organization responsive to the needs of the clients at a quick pace unknown hitherto.

The human resource development has to be focused on hundreds of narrow areas of specialization. Every officer has to specialize in one area long term and another depending on his placement. The goals and objectives have to be shared through transparent dialogue and communication undermining the tyranny of hierarchy. NABARD has to be restructured according to the clients and channel organizations it deals with. This would make processes more holistic and responsive. All Nabardians would have to share a common culture and goal of removing rural poverty and share an intense feeling to this end. According to Prof. C K Prahalad all business in future have to work with the bottom of the economic pyramid for sustained success.

REFINANCE FACILITIES TO URBAN CO-OPERATIVES

On a review of the eligibility norms for availing of refinance by scheduled primary urban co-operative banks, PUCBs should have minimum 'A' audit clarification and should have posted net profit during the preceeding three consecutive years. The PUCs should not have accumulated losses and its gross NPAs should not exceed 10% of total outstanding loans and advances. NABARD will undertake half yearly visit to PUCBs availing refinance. The financial health and general functioning of the bank will be examined by documentary scrutiny.

Visit NABARD on website at www.nabard.org

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