

Credit Facilities to Marketing Federations

To support Producers Organizations in carrying out business activities, NABARD has set Producer Organization Development Fund (PODF) during 2011-12. The fund has supported Producers Organizations by extending credit+ facilities to take up production, aggregations, processing and/or marketing activities. Since, most of the producer organizations are at nascent stage, their focus is mainly on production and to some extent the aggregation. These organizations are unable to take advantages of value addition, market linkage due to various limitations like scale of operations, absence of professional management, fragmented supply chain, poor market linkage, lack of storage and marketing infrastructure.

Recognizing the importance of scientific storage and marketing infrastructure in improving the efficiency in agribusiness and supply chain management, NABARD is involved in supporting implementation of various projects/activities such as PACS as MSCs wherein the PACS have been recognized as potential partners to act as spoke under Hub and spoke model for developing warehouses and cold chains, funding of storage infrastructure under RIDF to State Govt. and through their warehousing corporations and marketing federations, implementing credit linked subsidy schemes for storage and marketing infrastructure of GOI.

With the development of additional storage and marketing infrastructure both by PACS and by warehousing corporations/ marketing federations, many State Marketing Federations have scaled up the marketing support to the farmers through PACS being primary aggregators at ground level.

Till such time the producer organization mature to handle the marketing activities efficiently on their own, they can be linked with the existing Marketing Federations/ Cooperatives by enrolling them as members/ shareholders. The major limitation for expanding the marketing operations by these federations and Cooperatives is lack of timely and adequate credit support.

In order to strengthen Marketing Federations/Cooperatives in the marketing and other agriculture activities a separate line of credit, viz. Credit Facilities to Federations has been made available for the Marketing Federations/ Cooperatives to promote the marketing of agriculture produce and other agriculture activities.

The broad guidelines of Credit Facilities to Federations are as under:

Eligible Institutions

Marketing Federations/ Cooperatives having PACS and other producer organizations as members/share holders.

Nature of credit

- Short term Credit Facility (less than 12 months) for meeting the procurement cost.
- Term loans for setting up of marketing infrastructure including grading and value addition.

The loan to these Marketing Federations/ Cooperatives will be governed by Section 30 of NABARD Act, 1981.

Eligible activities

- Short Term Credit Facility: The major activities covered under the scheme would be crop procurement under Price Support Scheme and supply of seeds, fertilizers, pesticides, plant protection material etc. to the farmers.
- Term Loan Facility: For post-harvest handling including sorting & grading, primary processing, marketing etc. Such Federations/ Cooperatives should also be supported for providing agro advisory services and market information through e-agriculture marketing.

Security

The loan will be secured by way of hypothecation/ creation of first charge on asset purchased/ created. The collaterals may be in the form of Government/ Corporate Guarantee, mortgage of other tangible securities. Such securities will be decided on the risk assessment on a case to case basis.

Federations being funded by many Banks/Financial Institutions

The Federation will arrange for exchange of letters with other banks/lending institutions for creating first pari passu charge on current assets of the society before release of funds.

Interest Rate

The interest rate will be decided by ALCO. The interest will be charged at monthly rests.

Repayment

- Short Term Credit Facility: Upto 12 months.
- Term Loan Facility: Upto 9 years in accordance with the activity supported.

Insurance

Fully insured current assets for their full market value against fire & earth quake in the name of the Bank and Federations/Cooperatives. Relative policy will be held by Federations/ Cooperatives.

Other Terms and Conditions

- Penal Interest:
- Irregularities of a/c- 2% on entire outstanding amount.
- Default in covenants / non adherence to terms and condition – 1% on entire outstanding.
- Commitment Charges - Credit Facility: 1% pa on entire unutilized portion.
- Inspection charges – Actuals subject to a min. of ` 12000.00 pa.
- No Processing charges.
- Documentation/legal charges: Actuals subject to a minimum of ` 10000.00 pa.
- Any other charges as applicable to this a/c.