

RBI/2004-05/439

RPCD.PLFS.BC.No.96/05.02.02/2004-05

April 28, 2005

The Chairman/Managing Director/Chief Executive Officer
All Scheduled Commercial Banks
(Including RRBs and Local Area Banks)

Dear Sir/Madam,

Priority Sector Lending - Produce marketing loans

Please refer to paragraph No. 1.1.1 of Master Circular RPCD.No. Plan BC 7/04.09.01/2004-05 dated July 20, 2004, on lending to Priority Sector, in terms of which advances granted by banks up to Rs. 5 lakh to farmers against pledge/hypothecation of agricultural produce including warehouse receipts for a period not exceeding 12 months are treated as direct agricultural advances under the Priority Sector.

2. In this connection, a reference is invited to Paragraph No. 82 of the Governor's Annual Policy Statement for the year 2005-06 (extract enclosed). Keeping in view the importance of post-harvest operations, the above credit limit has been increased to Rs.10 lakh.

3. In view of the increasing business opportunities in financing agriculture, banks are requested to put in concerted efforts to step up credit flow to agriculture.

4. Please acknowledge receipt.

Yours faithfully,

(C.S. Murthy)
Chief General Manager-in-Charge

Encl: 1

Paragraph No. 82

Flow of Credit to Agriculture

- Keeping in view the importance of post-harvest operations, it is proposed to increase the limit on loans to farmers through the produce marketing scheme from Rs.5 lakh to Rs.10 lakh under priority sector lending.
- There is a realisation amongst bankers that there are increasing business opportunities in financing agriculture, banks are, therefore, urged to continue their efforts to step up credit to agriculture.