

Operational Guidelines of Rural Godown Scheme

1. BACKGROUND

It is well known that the small farmers do not have the economic strength to retain the produce with them till the market prices are favourable. There has been a felt need in the country to provide the farming community with facilities for scientific storage so that wastage and produce deterioration are avoided and also to enable it to meet its credit requirement without being compelled to sell the produce at a time when the prices are low. A network of rural godowns will enable small farmers to enhance their holding capacity in order to sell their produce at remunerative prices and avoid distress sales. Accordingly, Grameen Bhandaran Yojana, a Capital Investment Subsidy Scheme for Construction / Renovation of Rural Godowns was introduced in 2001-2002 and extended upto 31.03.2007. The Scheme has now been approved for implementation during the years 2007-12, with modifications in its operational guidelines for new projects to be sanctioned after 26 /06 /2008. Accordingly, revised operational guidelines of the scheme are applicable for new projects sanctioned on or after 26 /06 /2008 to 31.03.2012.

2. OBJECTIVES

The main objectives of the scheme include creation of scientific storage capacity with allied facilities in rural areas to meet the requirements of farmers for storing farm produce, processed farm produce and agricultural inputs; promotion of grading, standardization and quality control of agricultural produce to improve their marketability; prevention of distress sale immediately after harvest by providing the facility of pledge financing and marketing credit; strengthen agricultural marketing infrastructure in the country by paving the way for the introduction of a national system of warehouse receipts in respect of agricultural commodities stored in such godowns and to reverse the declining trend of investment in agriculture sector by encouraging private and cooperative sectors to invest in the creation of storage infrastructure in the country.

3. SALIENT FEATURES

Eligible Organizations

- i) The project for construction of rural godowns can be taken up by individuals, farmers, Group of farmers/growers, Partnership/ Proprietary firms, Non-Government Organizations (NGO's), Self Help Groups (SHGs), Companies, Corporations, Co-operatives, Local Bodies other than Municipal Corporations, Federations, Agricultural Produce Marketing Committees, Marketing Boards and Agro Processing Corporations in the entire country. Assistance for renovation of rural godowns will, however, be restricted to godowns constructed by cooperatives only.

Location

- ii) Under the scheme, the entrepreneur will be free to construct godown at any place, as per his/her commercial judgment except for the restriction that it would be outside the limits of Municipal Corporation area. Rural godowns constructed in the Food Parks promoted by the Ministry of Food Processing Industries shall also be eligible under the scheme for assistance.

Size

- iii) Capacity of a godown shall be decided by an entrepreneur. However, subsidy under the scheme shall be restricted to a minimum capacity of 100 tonnes and maximum capacity of 10,000 tonnes. **No maximum ceiling on subsidy in the case of projects of rural godowns of Cooperatives assisted by NCDC.**
- iv) Rural godowns of smaller size upto 50 tonnes capacity will also be eligible for subsidy under the scheme as a special case based on viability analysis depending on the topography/special requirement of the State/Region. In hilly areas*, rural godowns of smaller size upto 25 tonnes capacity will also be eligible for subsidy. For this, NABARD will issue appropriate guidelines.

*where the project site is located at a height of more than 1000 meters above mean sea level.

Conditions for Scientific Storage

- v) Godowns built under the scheme shall be structurally sound on account of engineering considerations and functionally suitable to store the agricultural produce. The general conditions for scientific construction will be as follows:
 - a) The construction of godown shall be as per Central Public Works Department/State Public Works Department specifications or any other standard specifications laid down in this behalf. The godown shall be properly ventilated, shall have well fitted doors, windows and ventilators and shall be waterproof (control of moisture from floor, walls and roof etc.)
 - b) The godown structure shall have protection from rodents.
 - c) The godown shall have protection from birds (windows / ventilators with jali).
 - d) The openings of godown such as doors, windows etc. shall be designed in such a manner that the godown can be sealed for effective fumigation etc.
 - e) The godown complex shall have an easy approach road, pucca internal roads, proper drainage, arrangements for effective control against fire and theft and also have arrangements for easy loading and unloading of stocks.
- vi) The entrepreneur may obtain a license to operate the godown, if so required by the concerned State Government, under the State Warehousing Act or any other relevant laws. **All Rural Godowns to be constructed under the Scheme in future, should be confirming to the technical specifications relating to the implementation of the Negotiable Warehouse Receipt System (NWRS).** The rural godowns of 1000 tones capacity and more shall be considered as eligible for assistance under the Scheme, only on giving an undertaking alongwith the application that they would be implementing the Negotiable Warehouse Receipt System. DMI in consultation with the Department of Food and Public Distribution and NABARD shall modify godown specifications to meet the requirements of implementation of Negotiable Warehouse Receipt System and NABARD shall ensure that these specifications are in-built in the eligibility criteria for giving subsidy to the rural godowns of any size under the Scheme.

Credit Linked Assistance

- vii) Subsidy under the scheme is linked to institutional credit and will be available to only such projects as are financed by Commercial Banks, Regional Rural Banks, State Cooperative Banks (SCBs), State Co-operative Agricultural and Rural Development Bank (SCARDBs), Agricultural Development Finance Companies (ADFCs), North Eastern Development Finance Corporation (NEDFI), Urban Cooperative Banks etc. Loan to the entrepreneurs from banks for the construction of godowns would carry an adequate long-term repayment period.
- viii) Assistance under the scheme shall be available on capital cost of construction of godown including the cost of allied facilities like boundary wall, internal road, platform, internal drainage system, weighing, grading, packaging, quality certification, warehousing facilities which are functionally required to operate the godown.

Pledge Loan Facility

- ix) The farmers keeping their produce in the godowns shall be eligible to avail pledge loan on hypothecation of their produce. The terms and conditions governing pledge loans viz. margin, rate of interest, period of pledge, amount etc. will be as per the guidelines issued by RBI/NABARD and as per normal banking practices followed by the financial institutions.

Training

- x) A general awareness programme on the scheme for the farmers and a training programme for the entrepreneurs for construction, maintenance and operation of rural godowns will be organized by the National Institute for Agricultural Marketing, Jaipur (NIAM) and other National/State level Institutions.

Implementation Period

- xi) Implementation of the scheme shall be continued beyond **31.03.2007 upto 31.03.2012.**
- xii) The modified scheme will be applicable to all new projects for construction / renovation of rural godowns in respect of which loans are sanctioned on or after **26/06/2008 upto 31/3/2012.**

Nodal Agency

- xiii) The scheme shall be implemented by the Directorate of Marketing and Inspection (DMI), an Attached Office of Department of Agriculture & Cooperation. A list of Regional/ Sub Offices of DMI is enclosed at Annexure-VI.

Target

- xiv) Under the Modified Scheme, creation of new **85 lakh tonnes** and renovation of **5 lakh tonnes** of rural storage capacity is targeted. **(Total 90 Lakh M.T.)**
- xv) The sanction of projects in a State would be restricted to a maximum of **18 lakh tonnes (20% of the total capacity of 90 lakh tonnes envisaged during the XI Plan), but in specific circumstances the**

unused quota of a State can be diverted to another State by a conscious decision taken by a Committee to be constituted in the Ministry of Agriculture for this purpose.

xvi) 5 lakh tonnes would be reserved for small farmers and 5 lakh tonnes for cooperatives **during the XI Plan but a conscious decision for diverting this reserved quota to other categories can be taken by the Committee to be constituted in the Ministry as stated above**

Insurance

xvii) It will be the responsibility of the owner of the godown to have the insurance for the godown.

Subsidy

xviii) **Rate of subsidy shall be:-**

(a) 33.33% of the capital cost of the project in case of projects located in North – Eastern States, hilly areas and those belonging to **Women Farmers/ their self help groups / co-operatives and SC/ST entrepreneurs & their self-help groups/ Co-operatives** subject to a maximum ceiling on subsidy of **Rs.62.50 lakh. No maximum ceiling on subsidy in the case of cooperatives assisted by NCDC;**

(b) 25% of the capital cost of the project to all categories of farmers (**Other than Women Farmers**), agriculture graduates, cooperatives and State/ Central Warehousing Corporations subject to a maximum ceiling on subsidy of **Rs. 46.87 lakh. No maximum ceiling on subsidy in the case of cooperatives assisted by NCDC;**

(c) 15% of the capital cost of the project to all other categories of individuals, companies & corporations etc., subject to a maximum ceiling on subsidy of **Rs. 28.12 lakh; and**

d) 25% of the capital cost of the project for renovation of godowns of cooperatives with assistance from NCDC.

xix) Capital cost of the project for the purpose of subsidy under the scheme shall be calculated as follows:

a) For godowns up to 1000 tonnes capacity – Project cost as appraised by financing Bank or actual cost or **Rs 2500/-** per tonne of storage capacity, whichever is lower;

b)For godowns exceeding 1000 tonnes capacity – Project cost as appraised by Bank or actual cost or **Rs 1875/-**per tonne of storage capacity, whichever is lower. However, for godowns exceeding 10,000 tonnes capacity, the subsidy would be restricted to that admissible for capacity of 10,000 tonnes only, **subject to the relaxations made under para 3 (xviii) above for projects of the cooperatives;**

c) For renovation of godowns by cooperatives with assistance from NCDC - project cost as appraised by Bank / NCDC or actual cost or **Rs.625/-** per tonne of storage capacity, whichever is lower.

xx) No beneficiary shall draw subsidy for the godown project or any of its component from more than one source.

xxi) The capacity of godown shall be calculated @ 0.4 M.T. per cu. mtr.

Release of Subsidy

xxii) Subsidy for the projects under the scheme shall be released through NABARD for projects financed by Commercial, Cooperative and Regional Rural Banks, ADFCs, SCBs, SCARDBs, NEDFI and scheduled PUCBs and other institutions eligible for refinance from NABARD and through NCDC for projects financed by NCDC or by Cooperative Banks in accordance with its eligibility guidelines.

Adjustment of subsidy in Borrower's Account

xxiii) The subsidy released to the bank / NCDC for an individual project will be kept in a separate borrower-wise account. The adjustment of subsidy will be back ended. Accordingly, the full project cost including the subsidy amount, but excluding the margin money contribution from the beneficiary, would be disbursed as loan by the banks. The repayment schedule will be drawn on the loan amount in such a way that the total subsidy amount is adjusted after full bank loan component net of subsidy with interest is liquidated but not before 5 years from the date of disbursement of first instalment of loan.

No interest chargeable on subsidy portion

xxiv) The subsidy admissible to the promoter under the scheme will be kept in the Subsidy Reserve Fund Account (Borrower-wise) in the books of the financing banks. No interest would be charged on this by the Bank. In view of this, for purposes of charging interest on the loan component, the subsidy amount should be excluded. The balance lying to the credit of the subsidy reserve fund account will not form part of demand and time liabilities for the purpose of SLR/CRR.

4. INSTITUTIONAL LENDING

A. Eligible Financing Institutions

The eligible financing institutions under the scheme are:-

- i) Commercial Banks, Regional Rural Banks (RRBs), State Cooperative Banks (SCBs), State Co-operative Agricultural and Rural Development Banks (SCARDBs), Agricultural Development Finance Companies (ADFCs), Scheduled Urban Coop. Banks, North Eastern Development Finance Corporation (NEDFI), and such other institutions eligible for refinance by NABARD.
- ii) NCDC and Cooperative Banks recognized by NCDC in accordance with its eligibility guidelines.

B. Term Loan

i) Minimum 50% of the project cost (46.67% in case of NE States, hilly areas, **Women Farmers/ their self help groups / co-operatives and SC/ST entrepreneurs & their self-help groups/ Co-operatives**) is to be raised as term loan from the financing banks. As the subsidy is back-ended, eligible amount of subsidy would be initially allowed as term loan to the beneficiary. The repayment schedule will be drawn on the total loan amount (including subsidy). The subsidy amount will be adjusted after liquidation of bank loan (net of subsidy) but not before 5 years from the date of disbursement of first instalment of term loan.

- ii) Depending upon the cash flow, the term loan would carry an adequate long term repayment period, not less than 5 years including a grace period of one year.
- iii) Rate of interest to borrowers on term loan shall be as per RBI guidelines. Interest will be chargeable from the date of the first disbursement of loan.
- iv) The financial institution may also provide working capital separately for undertaking business by entrepreneurs.
- v) NCDC may follow its own norms for period of term loan, its repayment, moratorium, interest rate etc.

5. PATTERN OF ASSISTANCE

i) FOR PROJECTS FOR WHICH SUBSIDY ROUTED THROUGH NABARD

Pattern of funding

| | | | |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Projects located in States/ areas other than NE States/ hilly areas, and projects not belonging to women farmers/ SC/ ST entrepreneurs & their self-help groups/ cooperatives | | Projects located in NE States/ hilly areas**/ & projects belonging to Women Farmers***/ SC/ST entrepreneurs & their self help groups/ Co-operatives**** |
| Source of finance | Farmers@, Agriculture Graduates, Cooperatives and State / Central Warehousing Corporations. | Individuals, Companies and Corporations etc. | |
| Owner's minimum contribution* | 25% | 25% | 20% |
| Subsidy from the Govt. | 25% | 15% | 33.33% |
| Term loan from eligible Financing institutions (Minimum) | 50% | 50% | 46.67% |

@ Farmer is a person whose main source of income is from Agriculture.

* Cost of land not exceeding 10% of the project cost can form part of the owner's contribution.

** Where the project site is located at a height of more than 1000 meters above mean sea level.

*** In case of partnership/ co-ownership, the ownership of women partners/ members shall be to the extent of 50% or more in the project to consider an application under the category of women farmer.

**** SC/ST Cooperative to be certified by the concerned officer of the State Government.

Mode of release

a) **Advance subsidy:** 50% of the subsidy amount will be released to NABARD by Deptt of Agriculture and Cooperation in advance. Accordingly NABARD would release subsidy to participating banks in advance for keeping the same in the Subsidy Reserve Fund Account of the concerned borrower. This amount of 50% advance subsidy would be released by NABARD to the participating banks on submission of a project profile-cum-claim form (Annexure-I).

b) **Final subsidy :** The remaining 50% of the subsidy amount would be disbursed to the participating bank(s) by NABARD after conduct of an inspection by a Joint Inspection Committee comprising of officers from NABARD, participating bank and Directorate of Marketing & Inspection (DMI) in the concerned State.

ii) **FOR PROJECTS FOR WHICH SUBSIDY ROUTED THROUGH NCDC**

Pattern of funding

For Cooperatives located in the States/ areas other than NE States/ hilly areas, and projects not belonging to women farmers/ SC/ ST entrepreneurs & their self-help groups/ cooperatives

| | |
|-----------------------------------------|------------------------------------|
| <u>From NCDC to State Govt. society</u> | <u>From State Govt. to society</u> |
| Term loan - 65% | Term loan - 50% |
| Subsidy - 25% | Share Capital - 15% |
| | Subsidy - 25% |
| | Society share - 10% |

For Cooperatives located in NE States/ hilly areas/ & projects belonging to Women Farmers/ SC/ST entrepreneurs & their self-help groups/ Co-operatives

| | |
|-----------------------------------------|------------------------------------|
| <u>From NCDC to State Govt. society</u> | <u>From State Govt. to society</u> |
| Term loan - 56.67% | Term loan - 50.00% |
| Subsidy - 33.33% | Share Capital - 06.67% |
| | Subsidy - 33.33% |
| | Society share - 10.00% |

Through Cooperative Banks / directly to Cooperative Societies

| S.No. | Source of Finance | Cooperatives located in the States/ areas other than NE States/ Hilly areas and cooperatives not belonging to women farmers/ SCs/ STs/ their self-help | Cooperatives located in NE States/ Hilly areas* and for Women Farmers/ their self help groups / co-operatives and SC/ST entrepreneurs & their Co- |
|-------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
|-------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

| | | groups | operatives |
|------|-------------------------------------|--------|------------|
| i) | Promoter's contribution (Minimum)** | 25% | 20% |
| ii) | Subsidy from the Govt | 25% | 33.33% |
| iii) | Term loan (Minimum) | 50% | 46.67% |

* Where the project site is located at a height of more than 1000 meters above mean sea level .

** Cost of land not exceeding 10% of the project cost can form part of the owner's contribution.

Mode of release

a) 50% of subsidy amount shall be released on approval and acquisition of land and balance 50% of subsidy amount shall be provided after godown has reached roof level.

b) 100% of subsidy amount shall be released in case of renovation of godowns after work of repair and renovation is taken up.

c) The subsidy provided as interest free loan shall be adjusted only after construction of godown has been completed to the satisfaction of NCDC.

6. PLEDGE LOAN

The farmers keeping their produce in the godowns shall be eligible to avail on hypothecation of produce upto 75% of the value of produce pledged subject to a ceiling of Rs.5 lakh per borrower. Such loan shall be for a period of upto 12 months. The rate of interest on such loans shall be as per RBI guidelines. The banking institutions shall accept the godown receipts on its being duly endorsed and delivered to bank for pledge loan against hypothecation of produce as per RBI guidelines. The pledge loan advance under Grameen Bhandaran Yojana will qualify under 'Direct Agriculture - priority sector lending'.

7. TIME LIMIT FOR COMPLETION

A time limit of 15 months is prescribed for completion of the project from the date of disbursement of first instalment of loan. However, if reasons for delay are justified, a further grace period upto 6 months may be allowed by the participating bank. If the project is not completed within stipulated period, the benefit of subsidy shall not be available and advance subsidy has to be refunded forthwith

8. REFINANCE ASSISTANCE FROM NABARD

For Construction of Rural Godowns

For construction of rural godowns, NABARD would provide refinance, if required by commercial bank / RRBs/ ADFCs / SCBs/ SCARDBs and such other eligible institutions @ 90% of the amount financed by them as term loan. However, quantum of refinance is 95% in case of SCARDBs in North Eastern Region. The quantum of refinance from NABARD could vary from time to time. Rate of interest on refinance will be as decided by NABARD from time to time.

For Pledge Loan

For Pledge Loan, NABARD will also provide refinance to Cooperative Banks as per NABARD's norms which are as under:

- i) Facility of pledge finance is extended to all cultivators whether they be the borrowing members of PACS or not and the DCCBs are permitted to directly finance individual cultivators on the strength of the pledge;
- ii) Quantum of pledge loan will be upto 75% of value of actual produce pledged subject to a ceiling of Rs.5 lakh per borrower;
- iii) The period of pledge loan is upto 12 months;
- iv) Farmers are given freedom to take back their produce once the pledge loan is repaid; and
- v) Rate of interest on re-finance against pledge loan will be as decided by NABARD from time to time.

9. PUBLICITY AND TRAINING

The general awareness programme on the scheme for the farmers and the training programme for the entrepreneur for construction, maintenance and operation of rural godown will be organised by the National Institute for Agriculture Marketing, Jaipur in collaboration with other institutions like BIRD, TOPIC etc.

10. OTHER CONDITIONS

- Rural godowns may be treated as infrastructure for financing.
- The participating banks / NCDC / NABARD, etc., will adhere to their own norms for appraisal of projects.
- A signboard at the site "Assisted under Gramin Bhandaran Yojana of Ministry of Agriculture, Government of India" will be exhibited.
- Govt.'s interpretation of various terms will be final.
- Besides Joint Inspection Committee (JIC) inspection, pre & post completion inspections of the project may be undertaken to verify physical, financial and operational progress, as and when required.
- Govt. reserves the right to modify, add and delete any term and condition without assigning any reason.

11. PROCEDURE TO BE FOLLOWED FOR SANCTIONING OF PROJECT AND RELEASE OF SUBSIDY

Projects financed through Banks

- i) Promoter will submit the project proposal for term loan and subsidy to Bank on application form as prescribed by the concerned Bank along with project report and other documents for appraisal and sanction of loan. A copy of the proposal shall also be endorsed by the promoter to Sub Office/ Regional Office of DMI as per list at Annexure VI.
- ii) Bank after appraisal and sanctioning of project and disbursement of first instalment of loan will furnish a brief project profile-cum-claim form for advance subsidy in the prescribed form given at Annexure-I along with a copy of bank's sanction letter to RO, NABARD with a copy to the Sub Office/ Regional Office of DMI as per list at Annexure VI.
- iii) NABARD on receipt of project profile-cum-claim form from the participating bank, will sanction and release 50% advance subsidy to the participating bank for keeping the same in the Subsidy Reserve Fund Account (Borrower-wise). NABARD will forward a copy of claim form as indicated in Annexure I to the Head Office of DMI project-wise for replenishment or adjustment against advance subsidy provided by DMI to NABARD. The release of subsidy by NABARD will be subject to availability of funds from DMI.
- iv) When the project is complete, the promoter will inform the bank which will initiate action for an inspection by a Joint Inspection Committee consisting of officials from bank, NABARD and DMI to ensure that the rural godown conforms to approved technical & financial parameters **However, for rural godowns of upto 1000 MTs capacity, the Ministry of Agriculture will consult NABARD and subject to their willingness, the present system of having three members Committee would be continued, otherwise the Joint Inspection Committee for Rural Godowns of upto 1000 MT capacity, will be downsized to only two officials, one from the bank concerned and the other one from the DMI.**
- v) The Joint Inspection Committee shall consult the Head of the Gram Panchayat / Member of concerned Local Body before making recommendations for release of final subsidy for each project.
- vi) After inspection is conducted, the bank will submit the claim form for final subsidy in the prescribed format given at Annexure II to NABARD, in triplicate, with a copy to Regional Office/Sub-Office, DMI. The inspection report of Joint Inspection Committee and completion certificate should invariably be enclosed with claim form for final subsidy. NABARD shall release the final subsidy to banks which will be replenished by DMI or adjusted against the subsidy amount provided to NABARD in advance.

Projects financed through NCDC

- i) NCDC shall provide assistance to the cooperatives for construction/renovation of godowns.
- ii) The cooperative societies shall formulate proposals in the format prescribed by NCDC and shall submit to RCS/State Govt. or directly to NCDC.
- iii) The RCS/State Govt. shall examine the proposal and shall recommend to NCDC for consideration.
- iv) NCDC shall communicate its sanction to the State Govt. and a counter sanction shall be issued by the State Govt. to the societies.

- v) The pattern of funding, interest rates, mode of release of sanctioned assistance shall be as per NCDC's norms and policies as circulated from time to time.
- vi) The State Govt. shall periodically furnish progress report to the NCDC and NCDC shall furnish the same to DMI.
- vii) DMI shall release advance subsidy for parking in NCDC's account. The project-wise subsidy shall be adjusted / replenished by DMI.
- viii) NCDC shall furnish utilisation certificate to DMI.
- ix) NCDC and DMI may undertake inspection of godowns to verify the utilization on a random basis.

12. MONITORING

- i) The monitoring of each project shall be done by DMI through its Regional/ Sub-Offices (Annexure VI) and review will be done on monthly basis with NABARD/NCDC.
- ii) As mentioned in para 11(iv), a Joint Inspection Committee consisting of officials from NABARD, NCDC, participating bank(s), as the case may be, and DMI would inspect the project within the overall scope of the operational guidelines of the scheme and would submit its report in the format at Annexure-V which should be enclosed with Annexure II. For this purpose, the promoters/participating banks/NABARD/DMI will initiate necessary action to get the inspection conducted on the project site by the Joint Inspection Committee as soon as the project is completed, so as to avoid any delay in release / adjustment of subsidy.
- iii) After crediting the final instalment of subsidy in the reserve fund of the borrower, a utilization certificate as per Annexure III is required to be submitted by the participating bank to NABARD/ NCDC as the case may be to the effect that amount of subsidy received by them has been fully utilized/adjusted in the books of account under the sanctioned terms and conditions of the project, within the overall guidelines of the scheme.
- iv) The progress report of the scheme as per format at Annexure – IV shall be sent by NABARD / NCDC directly to the Head Office of DMI on monthly basis.