

03 June 2005

The Managing Director  
Punjab State Agri. and Rural Dev. Bank  
Bank Square, Sector 17-B,  
Chandigarh 160 017

Dear Sir,

National Project on Organic Farming - Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs.

As you are aware, Government of India has identified Organic Farming as a major thrust area in the 10th Five Year Plan with a aim to compete in the International higher premium organic food market. With the increasing awareness among consumers towards products free from pesticide/chemical in India and worldwide, the need for organic farming gains importance.

2. To promote Organic Farming on a large scale, it is necessary to maintain the supply of organic inputs such as bio-fertilisers, vermicompost, fruit and vegetable waste compost. This could only be achieved by establishing/promoting commercial production units which will sustain Organic Farming.

3. For establishment of such units, Government of India has announced a "Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs under National Project on Organic Farming" wherein the production units will get assistance in the form of subsidy.

4. The operational guidelines of the scheme and the model schemes have already been forwarded vide our circular No. 42 dated 28 February 2005. The salient features of the scheme are as under :

- Each unit is entitled for a subsidy @25% of the capital cost of the project subject to a ceiling of:
  - Rs. 20 lakh for bio-fertilisers
  - Rs.1.5 lakh for vermiculture hatcheries
  - Rs.40 lakh for fruit and vegetable waste compost production units.
- The remaining cost will be met through the term loan from Banks (50%) and margin (25%).
- The subsidy will be credit linked and back ended.
- The scheme is applicable to new/existing units for expansion/renovation which are sanctioned by the financing Banks on or after 15.2.2005.

5. NABARD will administer the subsidy and monitor the scheme besides providing refinance support to the eligible financing banks for the term loan extended under the scheme. NABARD would provide refinance to all eligible financing banks @90% of the amount financed by the Banks at the prevailing rate of interest.

6. The scheme has excellent business potential in this region to enhance the ground level credit and also diversify the loan portfolio. We request you to sensitise the field level staff about the scheme on ~~xxx~~ priority basis. The proposals may be submitted to us for the sanction of subsidy under the scheme.

Yours faithfully,

Sd/-

(A.M. Yadav)

Asstt. General Manager


THE PUNJAB STATE COOP. AGRICULTURAL DEVELOPMENT BANK LTD: CHANDIGARH  
NO. SADB/Dev/ 4966

Dated: 2/7/05

A copy of the above is forwarded to:

1. All the Managers of PADBs in the State for their information and necessary action. They are advised to implement the scheme and advance loans, accordingly.
2. All the Asstt. General Managers in the State;
3. All the Regional Officers in the State;

for their information and n/action.

  
General Manager (P&D)  
for Managing Director.





राष्ट्रीय कृषि और ग्रामीण विकास बैंक

NATIONAL BANK FOR  
AGRICULTURE AND RURAL DEVELOPMENT  
(Development Policy Department - Farm Sector)

पता : राष्ट्रीय कृषि और ग्रामीण विकास बैंक  
प्लॉट नं. 24, फ्लोर 'A' ब्लॉक  
रा (प्लाट), मुम्बई - 400 054  
फोन : 26523895 (2652 0007)  
फैक्स नं. 26523895

रा. कृ. ग्र. विकास बैंक  
प्लॉट नं. 24  
फ्लोर 'A' ब्लॉक  
रा (प्लाट), मुम्बई - 400 054  
फोन : 26523895 (2652 0007)  
फैक्स नं. 26523895

वेबसाइट : [nabard.org](http://nabard.org)

NB.DPD-FS/ 577 /Jatro/ 2005-06  
Circular : 125 - DPD-FS, 23 / 2005  
01 July 2005

To

Chairman/ MD, All Scheduled Commercial Banks  
State Coop. Banks/ Regional Rural Banks  
State Coop. Agriculture & Rural Development Bank

Dear Sir

### Financing of Jatropha Plantation

You may be aware that, the ever growing demand of energy and its consequent impact on import bill for fossil fuel (petroleum products) of our country has necessitated the search for alternative and complementary resources of energy. These alternative resources have been identified as bio-fuels which are renewable liquid fuels coming from biological raw material and have been proved to be acceptable substitutes for fossil fuel. Biofuels known as Ethanol and Biodiesel are gaining wide acceptance as a solution to environmental problems, energy security, reducing imports, generating rural employment and improving agricultural economy. While Ethanol is derived from the by-products of sugar industry and blended @ 5 to 25% with petrol in many countries, the Biodiesel is made from fresh and used vegetable oil of edible and non edible nature and from animal fat through trans esterification which is used in pure form or blended up to 20% with normal Diesel.

Among the raw materials used for biodiesel production - Sunflower, Rapeseed, Soybean, Palm oil, Jatropha and Pongamia are prominent and being used in USA and European countries. India being deficit in edible vegetable oil, cannot afford to divert the edible oil to biodiesel production and therefore, the use of Jatropha (*Ratanjot*) and Pongamia (*Karanja*) Oil have been considered as the best alternative for biodiesel production.

Development of Jatropha has been given greater focus by the Planning Commission. Got due to its multiple advantages like wide adaptability, drought tolerance, non browsability, high oil content and the medicinal value, etc. over other species

Page 1 of 2

In 2005 Document No. 577 /Jatro/ 2005-06

पत्राचार : 125 - DPD-FS, 23 / 2005  
दिनांक : 01 जुलाई 2005

कृषि और ग्रामीण विकास बैंक

Accordingly, the Committee of Development of Biofuels, constituted by the Planning Commission, GoI has contemplated a long term plan for development of Jatropha plantation over 11.19 million ha by 2011-12 for blending of fossil oil with vegetable oil upto 20% level.

The GoI has contemplated to raise 4 lakh ha jatropha plantation by the end of Xth Five Year Plan under demonstration phase which will require an estimated investment of Rs.600 crores from budgetary and other resources. This will necessitate the credit support of Rs.300 crores (assuming the 50% of total investment). This offers an excellent opportunity to the financial institutions to broaden their credit portfolio in the agriculture sector.

In deference to the policy of GoI, NABARD has taken a number of initiatives to promote biodiesel through Jatropha Plantation with Institutional credit. Based on the field study and interaction with select Research Institutes and other stake holders, NABARD has developed Model Bankable Project with three different types of planting material for guidance to the financial institutions (copy enclosed). These Models, if needed, may suitably be modified depending on the local conditions. Plantation of Jatropha may be taken up in less productive, degraded soil or wastelands under rainfed condition.

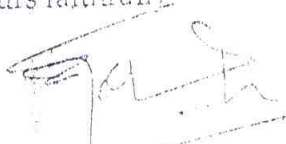
NABARD refinance will be available to all eligible financial institutions as per usual terms and conditions applicable to wasteland development schemes.

It may be pertinent to mention that the NOVOD (National Oilseeds & Vegetable Oil Development) Board identified as nodal agency at national level to promote such plantation by GoI, is also providing credit linked subsidy as incentive to the cultivators and the processing units.

You are, therefore, requested to advise your zonal/regional offices, branches and field functionaries to explore the possibilities of financing Jatropha and also to incorporate while preparing the credit plan of the bank/branch.

Kindly keep us informed about the developments in the matter.

Yours faithfully,

  
(S. M. Mehta)  
Chief General Manager

Encls: As above.