The Moscow Times
30 YEARS
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Agriculture Loan Terms Improved

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March 01, 2012



In an unusual measure to benefit entrepreneurs, the government has talked the country's two biggest lenders into decreasing interest rates on loans they provide to agricultural businesses in a remote Siberian region, Finance Minister Anton Siluanov said Thursday.

The interest rates for agricultural companies in the Altai region have been decreased from 17 percent to 12 percent after the ministry held negotiations with the banks, he told Prime Minister Vladimir Putin at a Presidium meeting.

Putin ordered the Finance Ministry last week to resolve the problem, saying local entrepreneurs had complained about the unjustifiably high rates during his visit to Barnaul, the region's main city, earlier this month.

The businessmen were unhappy about the cost of loans provided by two state lenders, Sberbank and VTB, Putin said at the time.

"We have contacted the banks, which provide the loans, cleared up the situation and based on

additional negotiations, the rate was decreased," Siluanov said.

"It's very important, and the main thing is that it is in line with economic realities," Putin said. "And say thank you to the banks," he added, smiling.

Setting the rate of 17 percent for the agricultural sector is normal because banks take into account the industry's high risks, like unfavorable weather conditions or cattle diseases, said Alexei Minayev, an analyst at Rye, Man & Gor Securities.

As agriculture is one of the priority industries enjoying state support, it's natural for the government to push for decreasing the interest rate, he said by telephone.

Although the Finance Ministry did not use market mechanisms to achieve the rate decrease, the state banks might have agreed with the measure because of their dependence on the government, Minayev said.

Among other issues discussed at the Presidium meeting was the size of compensation to be provided to those who suffered as a result of the gas explosion in Astrakhan.

Original url: https://www.themoscowtimes.com/2012/03/01/agriculture-loan-terms-improved-a13009