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### Agri Business

## How to make e-negotiable warehouse receipt system more robust and user-friendly

Naresh Kumar | June 12 | Updated On: Jun 12, 2022



istock

It can help Food Corporation of India, National Agricultural Cooperative Marketing Federation of India to monitor foodgrain stocks

The negotiable warehouse receipt (NWR) system was launched in 2011 allowing the transfer of ownership of a commodity stored in a warehouse without having to deliver it physically. These receipts are issued in negotiable form, making them eligible as collateral.

This has been enabled by enabling the financing of

warehouse receipts through the Warehouse (Development and Regulation) Act, 2007. The Warehousing Development and Regulatory Authority (WDRA) regulates the entire operation under NWR.

Electronic-Negotiable Warehouse Receipt (e-NWR) will help farmers/FPOs to have access to a large number of buyers across the country. It will help them get better bargaining powers and realise higher prices by selling graded produce. It will provide them with the facility to get their prices quoted and receive immediate payment, besides avoiding distress sales by helping them get loans from banks against warehouse receipts .

## Suggestions to banks

Both farmers and businesses can store their produce in WDRA-registered warehouses and seek loans from banks against them. registered because banks are continuing to extend pledge finance against local warehouse receipts or storage receipts.

It has been suggested to banks that they finance only against e-NWRs to encourage more warehouses to seek WDRA (Warehouse Development Regulatory Authority) registration and help in the rapid development of the warehousing ecosystem.

Digitalising the entire process of registration, monitoring and surveillance as well as the creation and management of negotiable warehouse receipts in electronic form through two repositories will benefit farmers and is a step toward doubling farmers' income by

## Salient features of e-NWR

- An e-NWR is available only in electronic form.
- The single source of information for the e-NWR is the repository system where e-NWR is issued by registered warehouses.
- Confidentiality, integrity and availability of the e-NWR information is provided by the Repository system.
- An e-NWR has time validity.
- All e-NWRs can be traded through off-market or on-market in Commodity Exchanges platforms.
- An e-NWR can be auctioned under certain conditions such as loan not repaid, on expiry and delivery not taken, and on likely damage or spoilage of the commodity in the warehouse.
- e-NWR can be transferred fully or in part.

## Benefits of e-NWR system:

- Avoidance of forgery/loss/tamper/mutilation of a physical NWR.
- Avoidance of multiple financing against the same NWR.
- Reduction of monitoring costs and building credibility amongst market participants.
- Market participants to have secured accessibility to view and manage their warehouse receipts via online portal.
- Easy access to finance by enabling multiple transfers without physical movement of goods.
- Splitting of NWRs for partial sale/pledge/withdrawal.

## Suggestions

Despite all the statutory and regulatory changes, the ecosystem envisaged by the WDR Act, 2007, is yet to become mainstream. Since the largest stock of foodgrains is held by the Food Corporation of India (FCI) and National Agricultural Cooperative Marketing Federation of India (NAFED) on behalf of the government, it can use e-NWRs to monitor the stocks.

The FCI can use e-NWRs to sell wheat and rice in the open market under the open market sale scheme. Similarly, NAFED can use it for the sale of pulses and oilseeds by just transferring the e-NWRs.

The government should make registration with the WDRA mandatory for all warehouses with storage above 2,000 tonne so that over the next three years, they are upgraded by the owners to meet the scientific standards prescribed by the WDRA. WDRA needs to allocate required human and financial resources to supervise the registered warehouses.

The farmer producer organisations (FPOs) are to be guided and supported to make effective use of the e-NWR ecosystem for the benefit of their members and gain from the off-season increase in prices. Loans to farmers/FPOs/agri traders against NWRs issued by registered warehouses are treated as priority sector lending by the banks. There is a need to prescribe targets for sanctioning loans against e-NWRs.

The WDRA should notify regulations to include cold storage/temperature-controlled warehouses in association with National Horticulture Board (NHB), in the negotiable warehouse receipt system so that farmers/FPOs producing fruits and vegetables may avail the benefits of negotiable warehouse receipts issued by the registered cold storages/temperature controlled warehouses for seeking loans from the banks/NBFCs.

It is desirable that the WDRA proactively encourages registration of all warehouses receiving deposits of goods from others. The WDRA may prescribe varying standards based on capacities, locations, and commodities to be stored so that the farmers can benefit from a large number of registered warehouses spread throughout the length and breadth of the country.

## In conclusion

The contribution of warehouse receipt systems has been well recognised both in developed and developing agricultural markets in the recent past. WDRA is working towards making the WRF system more mature.

It is already working towards creating an information repository of all the warehouses in the country and electronically connecting them. It is also working towards lowering compliance costs for warehouses and creating a rating system for warehouses.

*(The author is Chief Business Officer, Kissandhan Agri Financial Services Pvt. Ltd, a wholly-owned subsidiary of Sohan Lal Commodity Management Pvt. Ltd.)*

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