

Regulatory Structure for Warehousing in India

Role of

Warehousing Development and Regulatory Authority

Background of Negotiable Warehouse Receipt System

The all India Rural Credit Survey Committee appointed by the Reserve Bank of India (RBI) in 1954 recommended for:

- Creation of scientific storage facilities for the farmers near their door step to avoid storage losses in agricultural produce (around 9.6%).
- Creation of a negotiable receipt to facilitate institutional credit to the farmers.

The **World Bank** in a study on “A Strategy for the Development of Warehouse Receipt System for Agriculture in India” in 2000 recommended the use of warehouse receipts:

- To make it more attractive for banks to lend to the agricultural sector.
- To reduce transaction cost.
- To improve price-risk management.

The **Working Group of RBI** on warehouse Receipts and Commodity Futures in 2005 recommended for introduction of negotiability warehouse receipt system in line with similar instruments in operation in other countries.

The Status of Warehouse Receipt Prior to Introduction of the NWR

- Before the enactment of the Warehousing (Development & Regulation) Act, 2007, the warehouse receipt did not enjoy the fiduciary trust of the depositors and the banks.
- There were fears of non-recovery of loans in events, such as fraud, or mis-management by the warehouse or insolvency of the depositor.
- The available legal remedies were inadequate and also time consuming. The format for negotiable warehouse receipts was not uniform.
- Hence, there were impediments in the negotiability of warehouse receipts creating difficulties for the farmers and depositors of the goods.

Introduction of Negotiable Warehouse Receipt System.

- With the enactment of the Warehousing (Development and Regulation) , Act, 2007, the negotiable warehouse receipt issued by the registered warehouses has become a fully negotiable instrument .
- Backed by a Central Legislation , it can be traded as well as endorsed by the holder of the receipt.
- A uniform format of the negotiable warehouse receipt has been finalized in consultation with the Indian Banks' Association and other stakeholders. The format has been printed by the Security Printing and Minting Corporation of India Limited which prints currency notes and other high security documents for the Govt. of India.
- The NWR format has unique features, such as, anti copy, endless text, fine line pattern, micro printing with rainbow coloring etc.

Advantages of Negotiable Warehouse Receipts

- Increased liquidity in rural areas.
- Encouragement of scientific warehousing of goods.
- Lower cost of financing.
- Shorter and more efficient supply chains.
- Enhanced rewards for grading and quality.
- Higher price-realization by the farmers and better quality services to consumers.

Salient Features of the Warehousing (Development and Regulation) Act, 2007

- Regulation of warehousing activities.
- Negotiability of Warehouse Receipt.
- Uniform format for Negotiable Warehouse Receipts.
- Constitution of Warehousing Development & Regulatory Authority .
- Constitution of Warehousing Advisory Committee.
- Legal provisions for offences, penalties and appeals.

Section 3(1) :

No person shall commence or carry on the business of warehousing issuing negotiable warehouse receipts unless he has obtained a registration certificate after fulfilling the prescribed norms in respect of the concerned warehouse or warehouses granted by the Authority under this Act.

Functions of Warehousing Development and Regulatory Authority

Section 35 :

- (a) Registration of accreditation agencies for accreditation of warehouses.
- (b) Registration of warehouses issuing Negotiable Warehouse Receipts
- (c) Promoting efficiency in conduct of warehousing business.
- (d) Formulation of regulations.
- (e) To maintain a panel of arbitrators and to nominate arbitrators from such panel in disputes between warehouses and warehouse receipt holders.

Functions of Warehousing Development and Regulatory Authority

Contd.

- (f) To determine the rates of fees, levy, and other charges for carrying out the provisions of this Act.
- (g) To regulate the rates, advantages, terms and conditions that may be offered by warehousemen in respect of warehousing business.
- (h) To regulate and develop electronic system of holding and transfer of credit balances of fungible goods deposited in the warehouses.
- (i) To exercise such other powers and perform such other functions as may be prescribed.

Requirement for Registration of Warehouses

- * The warehouse should:
 - ✓ be constructed as per BIS/FCI/NABARD/CWC specifications.
 - ✓ Be storage-worthy with fool proof security agreements.
 - ✓ Have adequate trained staff with expertise and knowledge for the scientific storage of goods.
 - ✓ have requisite equipment for weighing and quality measures.
 - ✓ have insurance cover for building and stock against fires, flood, theft, burglary, misappropriation, riots, strikes and terrorism.
 - ✓ have positive networth certified by a Chartered Accountant or creditworthiness, certificate from a scheduled bank for individual warehouse or for its organisation.

Notification of Agricultural Commodities for issuance of Negotiable Warehouse Receipts.

The Authority has so far notified 123 agricultural commodities including cereals, pulses, oil seeds, spices, dry fruits, tea, coffee and rubber etc. as per the standards prescribed by the Agmark, or other approved grading agencies for issuing Negotiable Warehouse Receipts. Besides, 26 horticultural commodities have also been notified for issuance of NWRs by cold storages .

List of notified Agricultural Commodities for issuance of NWRs

S.No.	Name of Commodity	S.No.	Name of Commodity	S.No.	Name of Commodity
1	Wheat	21	Tamarind seeds	(A)	Pulses
2	Rice	22	Cumin seeds*	41	Urd Whole (Black Gram)
3	Paddy			42	Urd split (husked)
4	Jawar	23	Castor seeds	43	Urd split (unhusked)
5	Bajra	24	Cashew kernels	44	Moong (whole)
6	Barley	25	Areanut	45	Moong split (husked)
7	Maize	26	Black pepper*	46	Moong split (unhusked)
8	Ragi	27	Coriander*	47	Masoor (Lentil) whole
9	Soyabean*	28	Fennel seeds*	48	Masoor (Lentil) split (husked)
10	Mustard seed	29	Fenugreek seeds*	49	Arhar /Tur (Red gram) whole
11	Rapeseed	30	Guar gum*	50	Arhar /Tur (Red gram) split (husked)
12	Groundnut	31	Sesame seeds	51	Kabuli Chana
13	Groundnut (pods)	32	Horse gram	52	Chana whole (Bengal Gram)
14	Whole pulses and split pulses	33	Isabgol*	53	Chana split (husked) / Dal Chana
15	Sunflower oilseed	34	Black gram (Flour)	54	Matki / Moth (whole)
16	Milled pulses	35	Coffee beans	55	Matki / Moth split (husked)
17	Cotton bales*	36	Sago*	56	Yellow Peas (whole)
18	Cotton seed	37	Turmeric*	57	Rajma
19	Jute bales*	38	Ball Copra	58	Lobia
20	Chillies*	39	Cup Copra* 12		
		40	Cardamom*		

List of notified Agricultural Commodities for issuance of NWRs

(B)	Cereals	(D)	Oilseeds*	103	Saffron
59	Raw Milled Superfine / Fine Rice	82	Taramira Seeds	104	Tejpat
60	Raw Milled Medium Rice	83	Sesame seeds	105	Poppy Seeds
61	Raw Milled Common (Coarse) Rice	84	Cotton seeds	(G)	Makhana
62	Parboiled Milled Superfine / Fine Rice	85	Safflower seeds	106	Makhana
	Rice	86	Linseeds	107	Makhana Powder
63	Parboiled Milled Medium Rice	87	Mahua seed	108	Makhana Fried
64	Parboiled Milled Common (Coarse) Rice	88	Sal seeds	(H)	Miscellaneous
	Rice	89	Niger seeds	109	Guar Seed
65	Fine Broken Rice	(E)	Edible Nuts	110	Tea**
66	Common Broken Rice	90	Walnuts	111	Coffee, Arabica and Robusta**
(C)	Vegetable Oils*	91	Raw cashewnuts	112	Tobacco**
67	Mustard Oil	92	Groundnuts	113	Rubber**
68	Groundnut Oil	93	Coconut	114	Desi Chana
69	Sesame (Til or Gingelly Oil)	(F)	Spices*		
70	Coconut Oil	94	Ajowan Seeds (Whole And Powdered)	115	Indian sugar**
71	Linseed Oil		Mace	116	Raw Cotton
72	Castor Oil	95	Seedless Tamarind	117	Cotton seed oil cake*
73	Niger Seed Oil	96	Cloves	118	Refined, Bleached and Deodorized
74	Safflower Seed Oil	97	Mixed Masala Powders	119	Palmolein*
75	Cotton Seed Oil	98	Sun Dried Raw Mango Slices and Powder	120	Refined soya oil*
76	Rice Bran Oil				
77	Soyabean Oil	99	Compounded Asafoetida	121	Soya meal*
78	Sunflower Seed Oil		Nutmeg	122	Gur or Jaggery*
79	Maize (Corn) Oil	100	Curry Powder	123	Mentha oil*
80	Mahua (Mowrah Oil)	101			Crude Palmolein oil*
81	Salseed Oil (Fat)	102			

List of notified Horticultural Commodities for issuance of NWRs

SI No.	Commodity	SI No.	Commodity
1	Table Potatoes (with or without CIPC application)	14	Raisins
2	Seed Potatoes	15	Onion (Fresh or dehydrated)
3	Processing (Potatoes with CIPC application)	16	Garlic (Fresh or dehydrated)
4	Apples in CA storage	17	Ginger (Fresh or dehydrated)
5	Carrots	18	Dries edible mushrooms
6	Nagpur Mandarin	19	Red Chillies
7	Khasi/Darjeeling/NE Oranges	20	Coriander (dry)
8	Kinnow	21	Cinnamon
9	Sweet Lime	22	Turmeric
10	Lemon	23	Tamarind
11	Pomegranate	24	Date Palm
12	Grapes	25	Frozen Processed Food item of horticulture Origin including those frozen in IQF or Blast Freezing
13	Almond	26	Seeds & bulbs

Registration of Accreditation Agencies

Section 5 (1) : The Authority shall, from time to time, determine the number of accreditation agencies as it may authorise to issue certificate of accreditation to warehouses issuing NWRs

Sl. No.	Name of the Accreditation Agency registered by WDRA
1.	National Institute of Agricultural Management (NIAM), Jaipur.
2.	National Cooperative Development Corporation (NCDC).
3.	National Productivity Council (NPC)
4.	TQ Services (A Division of Tata Projects Limited), Quality Services Division.
5.	Vexil Business Process Services Pvt. Ltd, New Delhi – 110005
6.	American Quality Assessors (India) Pvt Ltd, Hyderabad - 500082
7.	Maharashtra State Agriculture Marketing Board, Gultekdi, Pune
8.	NABARD Consultancy Services (P) Limited (NABCONS)
9.	M/s SSRA, New Delhi
10.	Directorate of Marketing and Inspection (DMI), Faridabad, Haryana
11.	ITCOT Consultancy & Services, Chennai - 600006

Registration of Warehouses

- 1299 warehouses (with storage capacity of 57.80 lakh MTs) have so far been registered with WDRA.
- These warehouses also include 439 commodity exchange linked warehouses located in Rajasthan, Madhya Pradesh, Maharashtra and Gujarat.

Report of the Committee for Strengthening Negotiable Warehouse Receipts by the WDRA in the Country – Feb. 2015

Salient Recommendations

- Extension of Crop loan scheme with interest subvention to Post Harvest on NWRs
- Publicity about Interest Subvention Scheme.
- Banks to promote pledge financing of NWRs
- Monitoring of Pledge financing by DLBC/SLBC and NABARD/RBI
- Review of Insurance Requirements for accreditation and Registration of Warehouses
- Robust mechanism for inspection on Registered Warehouses
- Introduction of Electronic Negotiable Warehouse Receipt
- Simplification of Accreditation/Registration / renewal of Registration Rules

Report of the Committee for Strengthening Negotiable Warehouse Receipts by the WDRA in the Country – Feb. 2015

Salient Recommendations

- Capacity building and awareness programme in Warehousing Sector
- Enabling policies of the States to promote private sector warehousing
- Declaring Warehouses as Mandis
- Simplifying the procedure for conversion of land use for Warehousing.
- Exemption of Stock limit of Commodities in Registered Warehouses
- Continuation of Gramin Bhandaran Yojana
- Continuation of RIDF/WIF Scheme
- Various measures to improve the income of Warehouses
- Transformation Plan of WDRA

Electronic Warehouse Receipt

- * Electronic Warehouse Receipts (EWRs) enable faster movement of information and automatic creation of audit trail.
- * EWRs can break barriers and promote national market in agricultural goods to benefit farmers and will promote proper grading, inspection and weighment.

Advantages of Electronic Warehouse Receipts

- * EWRs will,
 - ✓ help farmers / depositors to have access to a large number of buyers nationwide with better bargaining powers;
 - ✓ enable multiple transfers without physical movement of goods and alternate channels of marketing to farmers and reduce the cost of intermediation for consumers;
 - ✓ enable consumers (industries, processors, wholesalers, retailers etc.) to procure graded produce at competitive prices at locations of their choice;
 - ✓ promote an efficient clearing, settlement and delivery system with transparency in trading of agricultural produce.
- * EWRs can be split with obligation to transfer only a part of the commodity.
- * EWRs can be issued by Repositories and traded in commodity Exchanges.

Transformation Plan undertaken by the WDR

The WDR has initiated a transformation plan with the following objectives:

- Provide better information about warehouses and WSPs.
- Ensure that WDR's regulatory standards create credibility of NWRs in the market by way of regulating and developing electronic system of holding and transfer of credit balances of goods deposited in the warehouses.
- Register WSPs that are credible, and can meet good performance requirements.
- Continue to try and reduce costs of compliance while ensuring safety of consumers.
- Create clear difference between registered and un-registered WSPs.
- Strengthen Inspection system to ensure that underlying goods are secure.



For Further information, please visit:
www.wdra.nic.in

THANK YOU