

As more warehouses move under WDRA, small farmers can avoid distress sales

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Finance Minister Nirmala Sitharaman has said more warehouses will be created complying with the requirements of the Warehousing Development and Regulation Authority (WDRA). This is good news for farmers.

India's total warehousing capacity is estimated at 160 million tonnes. While 30 per cent of this is with the private sector, the rest is divided between FCI, CWC, SWC (State Warehousing Corporation), state agencies and the co-operative sector. However, not even 10 per cent of the total capacity is registered with the watchdog WDRA. As of January 2020, the total capacity under the WDRA is 9.8 million tonnes spread across 1,750

warehouses.

Holding the stock in a WDRA-accredited warehouse is beneficial for a farmer for many reasons.

One, warehouses under WDRA don't issue physical warehouse receipts. They issue electronic Negotiable Warehouse receipts (eNWRs) that are easy to transfer – the entire process is online and requires no documentation. A farmer also gets higher LTV (loan-to-value), as the banker is assured of the quantity of the stock in warehouses by the warehouse-man.

Secondly, unlike the physical warehouse receipt, in the case of eNWRs, it is possible to break up and avail finance for one portion of the stock. Further, the farmer may also get a better price on his produce

when he sells it finally, as the stock stored in a WDRA-accredited warehouse is sorted and graded. The Budget further said eNWRs will be linked to the eNAM platform soon. Already, a pilot for this has been on in a few States including AP and Telangana.

Going a step further, the Budget could have made it mandatory for all warehouses set up with Centre/State subsidy to register under WDRA. Currently, it is not compulsory unless the warehouses want to issue negotiable warehouse receipts. So, those wanting to keep themselves out of the purview of the regulation refrain from issuing NWRs, issuing only physical warehouse receipts.

For a banker, too, eNWRs are more beneficial than physical



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warehouse receipts. Warehouses that issue eNWRs are registered under the WDRA. The regulator monitors stocks in the warehouses under it on a day-to-day basis. And since the receipt is electronic, tampering with the details, or the farmer pledging the same stocks with different banks, is also not possible.

The National E-Repository

(NERL), established by NCDEX, and CCRL (CDSL Commodity Repository), set up by CDSL, are the only two commodity repositories. They create, store and keep track of the eNWRs of their customers.

Efforts taken by these commodity repositories as well as WDRA have yielded some results.

Speaking with NERL, which has been aggressively working on the ground to push the concept of eNWRs among farmers, *BusinessLine* found that so far 3,146 clients of NERL have opened a repository account. Of this, there are 536 farmers and, till now, around 360 warehouses have generated eNWRs.

The numbers of CCRL are not available.

If warehouses become

mandis, a lot of problems of the small farmers with regard to logistics and storage will be solved. This is behind the Finance Minister's announcement to link eNWRs with eNAM. For this, however, it is the States that have to act. Just two – Andhra Pradesh and Telangana – have announced 37 warehouses of CWC as deemed markets.

If the current move is well supported and implemented across all the States, then the tracking of agri stocks nationwide will become easier. This will help the Centre come up with the right policies for export and import. Also, it will help the Centre/States in tracking the supply/demand in the market and regulating it better, particularly for essential commodities.