

Electronic warehouse receipts can brighten farmers' 'futures'

Kedar Deshpande

Electronic Negotiable Warehouse Receipt (eNWR) is a digital warehousing receipt issued by registered warehouses regulated and governed by a statutory body —

Warehousing Development and Regulatory Authority (WDRA) of India.

The WDRA, at the time of setting up of the electronic Negotiable Warehouse Receipt (eNWR) ecosystem in 2016, had already envisaged that eNWR had potential to be used as a three-in-one instrument (finance, trading and settlement). This required the identification and implementation of basic functions for the Repository to execute.

Initially it was identified by WDRA that trading the underlying commodities through recognised commodity derivative Exchanges would result in an efficient price discovery of the respective commodity. Warehouse Receipts in an electronic form (eNWR) which would be recorded and managed through regulated Repositories were envisioned to allow finance and trading to take place without the need to physically exchange

goods. It is no news that price discovery in commodities market helps the farmers take correct decisions on their future cropping pattern and various other farming related activities. Futures trading provides greater assurance on the price front.

The introduction of 'Spot Market of eNWRs' can also bring all three markets (primary, secondary and tertiary) together where farmers and agri-participants can participate easily through WDRA registered warehouses. The eNWR ensures that trading on the Exchange as well as the Spot Market is as transparent as possible.

THE BENEFITS

The eNWR ecosystem is already offering a host of benefits to its users and participants. Being a WDRA regulated ecosystem it also brings with it trust, transparency and security. The Repository offers centralised online real-time recordkeeping. The real-time dissemination of data offers traceability of the eNWR at every step.

It also encourages easy transfer and splitting of eNWR, bringing down the paperwork and also eliminating the need to physically transfer goods.



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WDRA ensures that warehouses issuing eNWRs are standardised and meet parameters to ensure safety of the commodities stored. It has also encouraged banks to come forward with easy finance options at relatively lower interest rates. The system also builds confidence in bankers with no additional cost for collateral monitoring or surveillance.

As a tradeable instrument, eNWR ensures that the commodities stored in the warehouses are tracked and secure. These commodities represented through eNWR can be offered for sale on registered online electronic platforms like eNAM, Agri Bazar, NCML market yards, NCDEX

E-Markets Ltd. (NeML) or other similar online electronic platforms which can result in better price realization while simultaneously creating an opportunity for arbitrage and hedging.

A credible and efficient warehousing system facilitates fair spot-futures price co-movement and their eventual convergence. It, therefore, leads to efficient price discovery in the process. Fair co-movement between futures and spot prices is critical to ensure hedging effectiveness.

Scientific storage and maintenance of quality and quantity is of prime importance which is achieved by the WDRA warehouses through deployment of new technologies like weighing equipment, fumigation, sampling, testing, grading, transportation and handling, warehouse construction, flooring and ceiling, doors and windows, air circulation, temperature control, etc.

eNWR has all the features to become a strong negotiable instrument and a security instrument as envisioned by the RBI and SEBI for formalising the agriculture finance and trade.

The writer is COO of NeRL. Views are personal