



Report

Committee for Strengthening Negotiable Warehouse Receipts by the Warehousing Development and Regulatory Authority in the Country

Government of India
Department of Food & Public Distribution
New Delhi

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Committee for Strengthening Negotiable Warehouse
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Regulatory Authority in the Country



Sudhir Kumar
(Member)
Secretary
Department of Food &
Public Distribution



Ashish Bahuguna
(Member)
Secretary
Department of
Agriculture & Cooperation



Dinesh Rai
(Chairman)
Chairman, Warehousing
Development &
Regulatory Authority

for

Dr. Hasmukh Adhia
(Member)
Secretary
Department of Financial
Services



Dr. Harsh Bhanwala
(Member)
Chairman, NABARD



Prashant Trivedi
(Convener)
Joint Secretary,
Department of Food &
Public Distribution


राजेश अग्रवाल / RAJESH AGGARWAL
संयुक्त सचिव / Joint Secretary
वित्तीय सेवाएं विभाग / D/o Financial Services
वित्त मंत्रालय / Ministry of Finance
भारत सरकार / Govt. of India
नई दिल्ली / New Delhi

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Foreword

At the time of enactment of the Warehousing (Development and Regulation) Act, 2007, it was expected that the negotiable warehouse receipt system will allow banks to improve the quality of their lending services and enhance their interest in financing the negotiable warehouse receipts issued to the farmers by the registered warehouses against the deposit of agricultural commodities. It will increase the liquidity in the rural areas and encourage scientific warehousing of agricultural commodities.

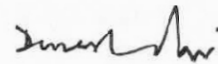
In pursuance of the discussions held in the Prime Minister's Office, on the 15th October, 2014, a Committee has been constituted under my Chairmanship for strengthening Negotiable Warehouse Receipts (NWRs) in the country. The Committee includes Secretary, Department of Food and Public Distribution; Secretary, Department of Financial Services, or his nominee; Secretary, Department of Agriculture and Cooperation, or his nominee; Chairman, NABARD; as members and the Joint Secretary (Storage), Department of Food and Public Distribution; as Convener. Following are the Terms of Reference of the Committee:

- i. Procedural simplification of accreditation of warehouses.
- ii. Improve the negotiability of warehouse receipts.
- iii. How to make Negotiable Warehouse Receipts (NWR) attractive to farmers.
- iv. Creation of awareness among various stakeholders like State Governments, APMCs, Cooperative Institutions etc.
- v. How to expand the network of quality warehouses / cold storages across the country and how to converge various government schemes towards that end.
- vi. Issues relating to pledge financing against NWRs.

The Committee held its meetings on 5th November, 2014, 12th December, 2014 and 30th December, 2014. The representatives of NABARD, Public Sector Banks (SBI, Punjab National Bank, Punjab & Sindh Bank and Oriental Bank of Commerce) Department of Agriculture and Cooperation, Department of Financial Services, Department of Food and Public Distribution, Warehouse Service Providers gave valuable inputs on the terms of references of the Committee. Some of the issues which are not directly connected with the term of references of the Committee but relevant to the success of negotiable warehouse receipt system, have been touched upon in the report. On some issues action has to be taken by the State Governments.

The final report of the Committee has emerged out of the above discussions. It is hoped that the policy measures recommended in the report will be accepted by the Government of India so that the negotiable warehouse receipt system can be strengthened and provide for better price discovery. Depositors and farmers may avail the benefit of cheaper loan on the NWRs. This will increase liquidity in rural areas and benefit all stakeholders.

Date: 18th February, 2015



(Dinesh Rai)
Chairman

CHAPTER – I

1. Aims, Objectives and Salient Features of the Warehousing (Development and Regulation) Act, 2007

1.1 The Warehousing (Development and Regulation) Act, 2007

The Government of India has introduced a negotiable warehouse receipt system in the country by enacting the **Warehousing (Development and Regulation) Act, 2007**, which came into force from the 25th October 2010. The Central Government constituted **Warehousing Development and Regulatory Authority (WDRA)** on the 26th October 2010 for implementation of the provisions of the Act.

The main objectives of the Warehousing (Development and Regulation) Act, 2007 are to make provisions for the development and regulation of warehouses, negotiability of warehouse receipts, establishment of a Warehousing Development and Regulatory Authority (WDRA) and related matters. The Negotiable Warehouse Receipts (NWRs) issued by the warehouses, registered under this Act, would help the farmers to avail loan from banks against NWRs and the NWRs will become a prime tool of trade. This will avoid distress sale of agricultural produce by the farmers in the peak marketing season when there is glut in the market. It will also be beneficial to other stakeholders, such as, banks, financial Institutions, insurance companies, trade, commodity exchanges as well as consumers.

The negotiable warehouse receipts issued by registered warehouses would result in providing considerable benefits, both at the macro as well as micro levels:

- (i) The system will allow banks to improve the quality of their lending services and enhance their interest in financing the NWRs.
- (ii) It will increase the liquidity in the rural areas.
- (iii) It will encourage scientific warehousing of agricultural commodities.
- (iv) It will lower the cost of financing by the banks.
- (v) It will improve supply chain.
- (vi) It will enhance rewards for grading and quality.
- (vii) The farmers will have better price risk management.

- (viii) Ultimately, all this will result in higher returns to the farmers and better quality to the consumers.
- (ix) The small and marginal farmers having Kisan Credit Cards (KCCs) will be able to avail the benefit of interest subvention scheme extended post-harvest credit against NWRs.

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

- Regulation of warehousing activities
- Liabilities of warehousemen
- Format of warehouse receipts
- Setting up of a Warehousing Development and Regulatory Authority (WDRA).
- Constitution of Warehousing Advisory Committee
- Powers of Central Government
- Appeals
- Offences and Penalties

1.3. Regulation of warehousing business

No person shall commence or carry on the business of warehousing for issuing negotiable warehouse receipts unless he has obtained a registration certificate from the WDRA after fulfilling the prescribed norms in respect of the concerned warehouse or warehouses.

1.4. Registration of warehouses

The WDRA regulates and registers the warehouses in the country. The WDRA has stipulated the specifications for registration of warehouses, which are as follows:

- ✓ be constructed as per Bureau of Indian Standards (BIS) specifications. Accreditation agencies have some discretion in relaxing the specifications without compromising storage worthiness of the warehouses.
- ✓ 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 insect-pest management.
- ✓ have insurance of the building and the stock against fire, flood, theft, burglary, misappropriation, riots, strikes or terrorism.
- ✓ have positive net worth certified by a Chartered Accountant or creditworthiness certificate from a scheduled bank for individual warehouse or for its organisation.
- ✓ an undertaking by the applicant that all the local laws have been complied with for carrying out the business of warehousing.
- ✓ the warehouse should provide all the documents on matters listed above along with the application to the accreditation agency.
- ✓ the warehouse should apply for registration to the WDRA along with the accreditation certificate.
- ✓ the fee structure for registration with differential rates for State capitals, district headquarters and rural areas has been prescribed @ Rs.2.50, Rs.1.50 and Re.1.0 per tonne respectively with a minimum amount of Rs.7500/-. For small warehouses of PACS, it is Re.1.0 per tonne.
- ✓ a similar amount has been prescribed for the security deposit.

1.5. Special Provisions for Registration of warehouses of Primary Agricultural Cooperative Societies (PACSs)

- In order to help the farmers to avail themselves the benefits under the interest subvention scheme, the WDRA has simplified the process of registration of warehouses belonging to Primary Agricultural Cooperative Societies in close proximity to the farmers.
- The WDRA has approved simpler norms for the accreditation of warehouses belonging to PACSs and also rationalized the fee structure by removing the minimum amount of Rs.7500/- for both registration and security deposit. That means if the PACSs godown's storage capacity is 200 tonnes, they will have to pay Rs. 200/- each for registration and for security deposit in the rural areas.

- A good beginning has been made with initial registration of PACSs warehouses in Andhra Pradesh, Tamil Nadu, Kerala and Karnataka.

1.6. Provisions for registration of warehouses of Farmers Producers Organizations (FPOs) and APMC

Provisions for registration of PACS warehouses may also be applied for registration of warehouses of Farmer Producer Organizations (FPOs) and APMC because of their size and proximity to the farmers. It will help the farmers in storing their produce in these warehouses.

1.7. Introduction of NWR System in cold storages

The WDRA in consultation with the National Horticulture Mission (NHM) and National Horticulture Board (NHB) has introduced negotiable warehouse receipt system in cold storages so that the growers/farmers producing horticultural produce may store these commodities in cold storages and may avail the benefits of loan against NWRs issued by the registered cold storages. The WDRA has simplified the data-sheet for accreditation of cold storage projects commissioned with the financial assistance of the Ministry of Food Processing Industries (MoFPI). The simplified data-sheet has been circulated by the MoFPI to all the commissioned projects with advice that they should get themselves registered with the WDRA. The WDRA is taking proactive measures to accreditate and register the cold storage setup in various parts of the country with the financial assistance of the Ministry of Food Processing Industries. It would organise regional workshops in association with NHB to create awareness among cold storage owners about the benefits of obtaining registration from WDRA.

1.8. Activities initiated by the WDRA

1.8.1 Appointment of Accreditation Agencies:

The warehouses are accredited by the approved accreditation agencies prior to their registration with the WDRA to ensure that basic requirements of scientific storage of agricultural commodities are fully met by these warehouses. The WDRA has engaged 14 accreditation agencies.

1.8.2 Notification of Agricultural Commodities:

The Authority has notified 123 agricultural commodities including cereals, pulses, oilseeds, vegetable oils, spices, edible nuts and miscellaneous items like rubber, tobacco, tea, coffee, makhana etc. for issuing NWRs. 26 horticultural commodities, such as Potato, Dehydrated Onion, Garlic, Ginger, Turmeric, Apples and Resins etc. have also been notified for issuing NWRs by cold storages.

1.8.3 Registration of Warehouses:

560 warehouses of Central Warehousing Corporation (CWC), State Warehousing Corporations (SWCs), Primary Agricultural Co-operative Credit Societies (PACSs) and private organizations with capacity of 19.44 lakh MTs have been registered with the Authority. These include 174 warehouses of PACSs in Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. More such warehouses are being registered. Most of the storage capacity available with CWC and SWCs is occupied by the FCI for storage of Central Pool stocks.

1.9. Conferences, Training and Awareness Programmes

1.9.1 Regional Conferences:

Regional conferences in association with FICCI, ASSOCHAM, PHD Chamber, CAIT and IFC have been organised by the WDRA at New Delhi, Bangalore, Thiruvananthapuram, Chandigarh, Mumbai, Bhopal, Kolkata, Nagpur, Gandhinagar, Lucknow and Chennai to create awareness among stakeholders about the negotiable warehouse receipt system in the country. Bankers' conferences on pledge financing of NWRs are also being organized in association with various Banks/Financial Institutions. During the year 2014-15, three such conferences have been organized at New Delhi, Mumbai and Bangalore in association with IFC, HDFC and Canara Banks respectively.

1.9.2 Training and awareness programme for farmers:

Awareness programmes for farmers are also being organized by the WDRA. During 2012-13 and 2013-14, 96 and 138 awareness programmes respectively for the farmers have been organised in different States through IGMRI, CWC, NCDC, NABCONS and ICMs. These programmes are continued and a target of 90 programmes has been fixed for the year 2014-15.

1.9.3 Training for warehouse managers:

Ten (5-day) training programmes for warehouse managers of registered warehouses of the CWC, SWCs and private warehouses have been organised at Jaipur, Hyderabad and Hapur during last three years. Eight training programmes for warehouse managers/secretaries of the APMC / PACSs godowns have also been organised in AP and Tamil Nadu through NABCONS during 2013-14. During the year 2014-15, 8 more training programmes of warehouse managers of registered warehouses including secretaries of PACS are proposed to be organized.

CHAPTER – II

2. Background of Introduction of Negotiable Warehouse Receipt System

2.1. Report of All India Rural Credit Survey Committee:

The Reserve Bank of India (RBI) conducted a comprehensive All-India Rural Credit Survey in 1951 under the direction of a Committee headed by Shri AD Gorwala. The recommendations of the Survey Committee, which submitted its report in 1954, set the pace and directions for the subsequent years not only for the Banks' agricultural credit policy but also for the related policies of the Central and the State Governments. The Committee had made the following important recommendations to the Government:

- i) To create scientific storage facilities for the farmers near their door step to avoid storage losses in agricultural produce which were estimated to be around 9.6% at that time.
- ii) To create a negotiable warehouse receipt system in the country to facilitate credit to the farmers.

2.2. Expert Committee on Agricultural Marketing

The Government of India in the Ministry of Agriculture had appointed an Expert Committee on the 19th December, 2000 to review the present system of agricultural marketing in the country and to recommend measures to make the system more efficient and competitive under the Chairmanship of Shri SL Guru, a noted economist. The Committee in its Report dated the 29th June, 2001, had suggested various legislative reforms as well as the reorientation of the policies and programs for development and strengthening of agricultural marketing in the country. One of the important recommendations made by the Committee is as under:

“A system of negotiable warehouse receipt also needs to be introduced in the country for agricultural commodities to improve credit delivery, better loan recovery and convenience in commodity management”.

2.3. Inter-Ministerial Task Force on Agricultural Marketing Reforms

With a view to examine the findings and recommendations of the Expert Committee on Agricultural Marketing and to suggest measures to implement them, the Ministry of Agriculture constituted a Task Force on the 4th July, 2001, under the chairmanship of Shri RCA Jain, the then-Additional Secretary in the Department of Agriculture & Cooperation.

The Task Force thereupon identified nine priority areas to work out a road map for strengthening the agricultural marketing system in the country and constituted a separate Group on each area. These areas were:

- a) Legal reforms;
- b) Direct marketing;
- c) Market infrastructure;
- d) Pledge financing;
- e) Warehousing receipt system;
- f) Forward and Futures markets;
- g) Price support policy;
- h) IT in Agricultural Marketing and
- i) Marketing Extension, Training and Research.

The Working Group on Warehouse Receipt constituted by the Task Force in 2001, under the Chairmanship of Shri NK Chaube, the then Managing Director of the CWC, recommended that there is a need to introduce a negotiable warehouse receipt system in the country, with large benefits, such as:

- (i) Increased liquidity in rural areas,
- (ii) Lower costs of financing,
- (iii) Shorter and more efficient supply chains,
- (iv) Enhanced rewards for grading and quality,
- (v) Development of other productivity-enhancing agricultural services, and
- (vi) Better price-risk management.

The Task Force suggested a long term measure of enactment of a Central Legislation on the pattern of the Multimodal Transportation of Goods Act, 1993 for making the warehouse receipt a fully negotiable instrument. The law should be framed in such a manner which gives full enforceability and transparency to the warehouse receipts.

2.4. Report of the Working Group on Warehouse Receipts & Commodity Futures, April, 2005

In the Mid-term Review of the Annual Policy Statement for the year 2004-05, the then Governor of Reserve Bank of India announced constitution of a Working Group on Warehouse Receipts & Commodity Futures with a view to examining the role of the banks in pledge financing against warehouse receipts and evolving a framework for participation of banks in the Commodity Futures Market.

The Working Group comprised representatives from the Reserve Bank of India, Indian Banks' Association (IBA), Forward Markets Commission (FMC), NABARD and prominent banks leading in agricultural financing, such as, State Bank of India, Punjab National Bank, Bank of Baroda and ICICI Bank Ltd. The Working Group was entrusted the task of evolving broad guidelines, criteria, limits, risk management system as also a legal framework for facilitating participation of banks in commodity (derivatives) market and use of warehouse receipts in agricultural financing.

The Working Group had recommended that there has to be an appropriate legal, regulatory, and institutional environment in place to support the Warehouse Receipt system. There should be a reliable warehouse certification, guaranteeing basic physical and financial standards. A National grading system for independent determination and verification of the quantity and quality of stored commodities should be established

2.5. Drafting the Warehousing (Development and Regulation) Bill

The Department of Food and Public Distribution constituted a Core Group comprising of experts from different Government Departments, Ministries, SEBI, warehousing sector, Banks and Insurance companies to formulate the draft Central Legislation for making the warehouse receipt a negotiable instrument and to examine the issue of setting up a regulatory mechanism and accreditation agency for public and private warehouses and make recommendations to the Government. A Warehousing

(Development & Regulation) Bill was drafted in consultation with various stakeholders and concerned Ministries / Departments by the Core Group and submitted to the Government in February, 2005.

The Warehousing (Development and Regulation) Bill, 2005 was introduced in the Lok Sabha on the 7th December, 2005 and referred to the Standing Committee on Consumer Affairs, Food & Public Distribution on the 19th December 2005 by the then Hon'ble Speaker of the Lok Sabha. The recommendations of the Standing Committee were examined and most of the suggestions were accepted by the Government. The Bill was passed by the Lok Sabha on the 15th May, 2007 and the Rajya Sabha on the 22nd August, 2007. The Hon'ble President's assent was obtained on the 19th September, 2007.

CHAPTER – III

3. Warehousing Capacity

3.1. Current Status of Warehousing Capacity in India

There is no exact data regarding warehousing capacities available in various sectors at present. However, some of the substantial capacities available in public, cooperative and private sectors is estimated as given below:

Sl. No.	Name of the organization / Sector	Storage capacity (in million metric tonne)
1.	Food Corporation of India (FCI)	38.34
2.	Central Warehousing Corporation (CWC)	10.30
3.	State Warehousing Corporations (SWCs) and State Civil Supplies	34.84
4.	Cooperative Sector	15.07
5.	Private Sector	18.97
	Total	117.52

Source: FCI's and CWC's portals and Department of Food and PD's Grain Bulletin, October, 2014 for sl.no. 1 to 3.

The storage capacity available with the FCI and a part of warehousing capacity available with the CWC and the SWCs is used for the storage of foodgrains procured by the Government agencies for Central Pool. The present total storage capacity is 731.74 lakh MT, comprising covered godowns of 571.89 lakh MT and Cover and Plinth (CAP) of 159.85 lakh MT. The average stock of rice and wheat in the Central Pool during last year (Dec 2013 to Nov 2014) was 482.10 LMT, ranging from a low of 379.28 LMT on 16.04.2014 to a peak of 622.31 LMT on 01.06.2014. As on 1st June, 2014, the total storage capacity occupied by Central Pool Stocks was 63.42 million MT, the details are as follows:

Commodities	Quantity (in million MTs as on 1 st June, 2014)
Rice	20.645
Wheat	41.586
Coarse grains	1.189
Total	63.42

Note: Besides the above, 11.36 Million MT of unmilled paddy with the millers equivalent to 7.61 Million MT rice was to be received in FCI godowns;

Source: FCI's portal

Thus, the covered storage space available in the country is not sufficient to cater to the procured stocks for Central Pool. As a result, during peak procurement period, some quantity of foodgrains is stored in Cover and Plinth (CAP) and the same is evacuated to consuming states on priority.

3.2. Marketing Surplus and Warehousing Demand

The Working Group on Agricultural Marketing Infrastructure of Planning Commission has estimated the marketing surplus and the warehousing demand as shown in the following table:

Total marketable surplus of all major crops	130 Million MT
Total marketable surplus of all major crops estimated to grow by the end of the 12 th Plan	150 Million MT
Total storage capacity estimated	108 Million MT
Storage capacity to be created for FCI to meet TPDS requirement in 12 th Plan	15 Million MT
Existing gap for meeting private commercial demand	10 Million MT
New Demand in next five years	10 Million MT
Total warehousing gap	35 Million MT

Source: Report of the Working Group on Agricultural Marketing Infrastructure, Secondary Agriculture and Policy required for internal and external trade for the XII Five Year Plan 2012-17. December, 2011.

The warehousing capacity gap arrived by the Planning Commission has been used for calculation in planning and construction of storage capacity by Government Departments / Ministries. Over the years, about 8.0 million MT storage capacity has been added. So now, the gap can be estimated to be at 27 million MT. Also the

Government position of keeping the large stocks of procured foodgrains in warehouses for long periods is changing. The stocks of procured foodgrain by Central Government is being brought down to reasonable levels required for food security. This needs to be looked into for future planning of storage capacity requirement in the country.

3.3. Directory of warehouses

The WDRA has mandated the NABCONS, a subsidiary of NABARD, to prepare an online directory of all the warehouses of the country. The directory would be based on secondary data collected at National level from FCI, CWC, NABARD, DMI, State Governments, private warehousing organizations and other sources. Similarly, secondary data will also be collected at State, District and Block level from SWCs, State Civil Supplies Departments, Cooperative Departments, PACS, Private traders bodies etc. The NABCONS is expected to complete the study and compile the information by 15th January, 2015.

3.4. Mapping the gap in warehousing capacity

The NABCONS is also being entrusted a study for assessing / mapping the gap in warehousing capacity required for the storage of food grains, oil seeds and agricultural inputs. Gap assessment is required for cereals, pulses, oil seeds and agricultural inputs. The methodology would involve collection of base line information on warehouse capacity available with FCI, CWC, SWCs, State Civil Supplies Corporations, NABARD, NCDC etc. The district-wise production volumes and market surplus will be estimated. Market arrivals of major grain Mandis will be collected to have a understanding of market surplus. Requirement of warehousing capacity will be arrived by deducting projected requirement from the existing capacity. Comments of the Department of Agriculture & Cooperation and the Department of Food & Public Distribution have been received.

CHAPTER – IV

4. Ongoing Warehousing Schemes for creation of warehousing capacity

4.1. Private Entrepreneurs Guarantee (PEG), 2008 Scheme

To meet the situation arising out of high procurement level of wheat and rice as a result of increase in Minimum Support Price (MSP) during last five years and to reduce the storage in Cover and Plinth (CAP), the Government of India formulated a scheme in 2008 for creation of additional storage capacity for foodgrains through private sector, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). The scheme is known as Private Entrepreneurs Guarantee Scheme (PEG-2008). Later, this scheme was extended to Decentralized Procuring (DCP) States in 2009.

The ceiling of rate fixed for hiring of godowns has been revised from Rs. 3.80 per quintal per month to Rs. 4.78 per quintal per month under the PEG scheme godowns. In appropriate cases, the High Level Committee (HLC) of the FCI has been empowered to decide higher rate by recording reasons in writing.

A state wise mapping of existing capacities and analysis of additional requirements was undertaken based on subjective criteria by State level committees and a High Level Committee of the Food Corporation of India (FCI). Under the scheme, the Food Corporation of India gives a guarantee of ten years to private parties for assured hiring. For expeditious construction of godowns, it was decided that wherever CWC / SWCs have their own land and if this is within the identified locations and storage gap approved by High Level Committee of the FCI, the CWC / SWCs will construct godowns on priority for which FCI would give a guarantee of 9 years for storage charges.

So far, 121 lakh MT capacity has been completed, 93 lakh MT by the private entrepreneurs and 28 lakh MT by the CWC / SWCs.

4.2. Construction of modern warehousing facilities (silos) through PPP

As a part of the PEG scheme, efforts are being made for creating integrated modern warehousing capacities in the form of silos in the country. FCI has identified 11 sites for VGF based silos and preparing feasibility reports for approval of the Department of Economic Affairs. For meeting the capital expenditure on construction of these silos, the private entrepreneurs would be eligible for Viability Gap Funding (VGF), where land would be provided by FCI/State Governments. For storage of wheat in these silos, the developer will be entitled to receive a recurring service charge, provided he meets the required performance and maintenance standards. Where land is not available with FCI/Government, silos would be constructed in non-VGF mode.

4.3. Gramin Bhandaran Yojana (Construction of Rural Godowns)

For creation of agricultural marketing infrastructure, Gramin Bhandaran Yojana (GBY) is being implemented by the Department of Agriculture and Cooperation, Ministry of Agriculture since 01.4.2001. GBY has been merged with Scheme for Development / Strengthening of Agricultural Marketing Infrastructure, Grading & Standardisation (AMIGS), being implemented since 20.10.2004, to form a new scheme named **Agricultural Marketing Infrastructure (AMI)**, which is a sub-scheme of Integrated Scheme for Agricultural Marketing (ISAM). The subsidy linked to institutional credit and available to projects financed by the listed banks and financial institutions. The subsidy is back end adjusted. The scheme provides for subsidy of 25%, but for North East States & FPOs, Panchayats, Women SC & ST, SHGs the subsidy is 33.33%. The subsidy ceiling upto 1,000 ton capacity is Rs. 875 / ton, for more than 1,000 ton capacity it is Rs. 750 / ton limited to Rs. 2.25 crore for general category and Rs. 4.00 crore for North East and Rs. 3.00 crore for FPOs etc.

During the 12th Plan period, the sub-scheme on AMI is being implemented with central assistance of Rs. 4000 crores for creating 4000 marketing infrastructure projects and storage capacity of 230 lakh tons.

4.3.1 Objectives

The main objective of the sub-scheme is to promote creation of scientific storage capacity for storing farm produce, processed farm produce and agricultural inputs etc. to reduce post harvest and handling losses.

4.3.2 Eligible Beneficiaries

Individual group of farmers / growers, registered Farmer Producer Organizations (FPOs), firms, companies, corporations, NGOs, Self Help Group (SHGs), Cooperatives, Government Bodies and State Agencies are eligible for assistance under the Gramin Bhandaran Yojana.

4.3.3 Institutional Lending

Subsidy under the sub-scheme Gramin Bhandaran Yojana is linked to institutional credit by Commercial, Cooperative, Regional Rural Banks (RRBs), Agricultural Development Finance Companies (ADFCs), State Cooperative Banks (SCBs), State Cooperative Agricultural and Rural Development Banks and other institutions eligible for refinance by NABARD or any other State Financial Corporation (SFCs) approved by DAC. Subsidy will be released through NABARD for the projects financed by the above banks/financial institutions.

For Cooperative Projects financed by the NCDC, subsidy will be released by the NCDC or by Cooperative Banks recognized by the NCDC. For State agencies investing their own funds without availing any loan, subsidy will be released directly by the DAC.

4.3.4 Subsidy Pattern

Capital cost of the project for the purpose of subsidy will be calculated on the project cost as appraised by financial institutions or actual cost of eligible components as certified by a CA, whichever is lower subject to subsidy ceiling per MT. The subsidy ceiling is as follows:

Category	Rate of subsidy on capital cost	Subsidy ceiling		
		Upto 1000 MT in Rs/MT	Upto 10000 MT in Rs/MT	Maximum ceiling (Rs. Lakh)
NE States, Sikkim, UTs of Andaman and Nicobar and Lakshadweep Island, hilly areas	33.33%	1333.20	1333.20	400.00
FPOs, SC/ST beneficiaries, SHGs	33.33%	1166.55	1000.00	300.00
For all other categories	25%	875.00	750.00	225.00

For renovation of storage projects of cooperatives, financed by the NCDC and Cooperative Banks, subsidy will be 25% of the project cost as appraised by Financial Institution or actual cost whichever is lower subject to a ceiling of Rs. 187.50 per MT of storage capacity.

4.3.5 Since the inception of this scheme from 2001-02 till date, storage capacity of 50.9 Million MT has been sanctioned and 37.05 Million MT storage capacity has been already created under the scheme. 35,000 warehouses have been constructed under Gramin Bhandaran Yojana.

A meeting was held in the WDRA on the 31st October, 2014 with the officers of DMI, the important deliberations of the meeting are as follows:

- i. Alignment of proforma for Joint Inspection Report of the godowns constructed under Gramin Bhandaran Yojana and checklist for accreditation of warehouses.
- ii. Field staff of the Directorate of Marketing of Inspection (DMI) may be involved in accreditation of warehouses constructed under GBY.
- iii. Some incentives like reimbursement of accreditation fee to warehouses for issuing NWRs for trading purposes.
- iv. Exploring the possibility of creation of Credit Guarantee Fund on the lines available to FPOs through SFAC to provide financial comforts to the banks.

- v. The BIS specifications for godowns (Foodgrains Storage Godowns- Code of Practice IS 16144: 2014) may be included in the structural specifications of the godowns being constructed under GBY.
- vi. The structural specifications of the godowns and other requirements of WDRA may be included in the Joint Inspection Proforma of the DMI and other information like insurance and manpower requirements may be collected by the Joint Inspection Team and on the basis of these information, accreditation certificate may be issued by the DMI which is also an accreditation agency of the WDRA.
- vii. The Department of Agriculture and Cooperation may reimburse the full accreditation fee of the warehouses constructed under GBY which seek accreditation and intend to issue NWRs. Since, DMI, under the Department of Agriculture and Cooperation is the accreditation agency for such godowns, it is suggested that they may not charge the accreditation fee from the warehouses constructed under GBY.
- viii. The cost of the equipment for quality testing required in the godowns/warehouses constructed under GBY should also be subsidised separately by the Department of Agriculture and Cooperation.

NABARD has suggested that the fee for accreditation and registration of warehouses may also form part of the project cost and may be reckoned for eligibility of certification within the eligibility limit.

We are of the opinion that for creation of much required storage capacity for agricultural commodities, the subsidy under Gramin Bhandaran Yojana should be continued during the remaining period of the 12th Five Year Plan i.e. 2014-15, 2015-16 and 2016-17. Directorate of Marketing and Inspection (DMI), the implementing agency of GBY under Department of Agriculture and Cooperation should be strengthened.

4.4. Scheme for Financing Warehousing Infrastructure under Rural Infrastructure Development Fund / Warehousing Infrastructure Fund (RIDF / WIF)

The Rural Infrastructure Development Fund / Warehousing Infrastructure Fund (RIDF / WIF) scheme is an important scheme for routing bank funds for financing rural infrastructure. In 2011-12, an exclusive RIDF / WIF scheme for development of warehousing sector with allocation of Rs. 2000 crores was announced by the Government of India. This allocation has been increased to Rs. 5000 crore during 2014-15. The scheme is open to the State Governments as also to entities owned and/or supported by the Central and / or State Governments and to other agencies engaged in setting up warehousing infrastructures. Now from the year 2013-14, the scheme is also open to private sector. The scheme would cover the following requirements:

- (a) Storage of agricultural produce, especially foodgrains, at centers of (i) production, (ii) distribution and (iii) consumption.
- (b) All dry, wet and cold storage needs of agricultural produce like fruits and vegetables, integrated loans to food parks, etc, as also the needs of sectors allied to agriculture, viz., dairy (bulk milk coolers, etc.), poultry, meat processing, fisheries (viz, cold chains, cold storage), etc, and
- (c) Storage of agricultural inputs like seeds, fertilizers, etc.

4.5. Cooperatives to create more warehousing capacity

The Cooperatives should be strengthened and encouraged to create warehousing capacity and generate awareness amongst the farmers about the benefits of storing their produce against the NWRs. This will ensure better price to the farmers as the cooperatives work nearer to the farmers. Under Warehousing Infrastructure Fund, NABARD has sanctioned projects to several PACS for setting up warehouses so as to provide the nearest source of scientific warehousing to the farmers. Such projects have been sanctioned in Tamilnadu, Odisha and Gujarat.

CHAPTER V

5. Estimates of Post-Harvest Losses

5.1. Losses in Food Grains

Considerable quantities of foodgrains are lost during post-harvest handling, storage and transportation. The losses are caused by moisture, temperature and biological agents such as insects rodents, birds and storage fungi. Various estimates have been made to assess the post-harvest foodgrain losses.

5.2. The Government of India had appointed a Committee to estimate the post-harvest losses in 1966 under the Chairmanship of Dr VG Panse, the then Director of IASRI. In its interim report, the committee reported 9.33% post-harvest losses. The breakup of these losses is as follows:

	(in %)
Threshing losses	1.68
Transport losses	0.15
Processing losses	0.92
Rodents	2.50
Birds	0.85
Insects	2.55
Moisture	0.68
Total Post Harvest Losses	9.33

Source: Government of India, New Delhi (1971) The report of the committee on Post Harvest Losses of Food Grains in India, Department of Food, Ministry of Agriculture and Irrigation.

5.3. IGMRI Study

In an another study conducted by the Indian Grain Management and Research Institute (IGMRI) Hapur, U.P. during 1998-99 and 1999-2000, **4.75%** post-harvest losses have been reported in wheat in major wheat producing States viz. Punjab, Haryana, UP, MP and Rajasthan.

The breakup of these losses is as follows:

	(in %)
Harvesting	1.13
Threshing yards losses	0.59
Transport losses	0.14
Processing losses	0.99
Rodents	0.59
Birds	0.05
Insects	1.22
Moisture	0.04
Total Post Harvest Losses	4.75

Source: Report of the Working Group on Warehousing Development and Regulation for the Twelfth Five Year Plan Period 2012-17. December, 2011 Planning Commission, New Delhi.

5.4. High Level Expert Committee of Department of Agriculture and Cooperation

A High Level Expert Committee on Cold Storage constituted by the Department of Agriculture and Cooperation has estimated that 8 to 10% of foodgrains and 25 to 30% vegetables and fruits are wasted annually due to lack of post-harvest technology and non-existence of integrated transport, storage and marketing facilities. The Ministry of Agriculture sponsored a Millennium Study on “State of Indian Farmers” in the year 2004. It was estimated in the study that about 7% of foodgrains and 30% of fruits and vegetable are lost due to inadequate handling facilities. Approximately, 10% of valuable spices are lost due to lack of proper post-harvest infrastructural facilities. The above post-harvest losses of agricultural commodities in monetary terms have been estimated at about Rs. 44,000 crores.

5.5. ICAR Study 2010

Crop	Minimum % loss	Maximum % loss
Cereals	3.9 (Sorghum)	6.0 (Wheat)
Pulses	4.3 (Chick Pea)	6.1 (Black Gram)
Oilseeds	2.8 (Cotton Seed)	10.1 (Groundnut)

5.6. Due to various schemes initiated by the Central and State Governments on minimizing post harvest losses in foodgrains, training and awareness programmes being conducted by the FCI, CWC and other organizations for the farmers under corporate social responsibility scheme, use of improved storage structures and techniques for storage of foodgrains, the post harvest losses have been reduced considerably. However, continuous efforts are required to be made for further minimizing these losses, particularly at farm level.

There is a need that a comprehensive study for assessment of post-harvest losses in foodgrains should be carried out by the Department of Agriculture and Cooperation / Department of Food and Public Distribution.

CHAPTER VI

6. Pledge Financing of Negotiable Warehouse Receipts

6.1. Crop Loan Interest Subvention Scheme

In order to discourage distress sale of agriculture produce by the farmers and to encourage them to store their produce in the warehouses against the negotiable warehouse receipt, the Government of India has extended the benefit of interest subvention on crop loan scheme to small and marginal farmers having Kisan Credit Card (KCC) for a further period of up to six months post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in the warehouses during the year 2011-12. The scheme has been extended during 2012-13 and 2013-14.

The circular from Department of Financial Services (DFS) for the year 2014-15 has been issued on 18.12.2014. However, there are impediments in the implementation of this scheme and most of the farmers are not able to get loan under this scheme against NWRs. The impediments are as follows:

- i. Only those farmers who have obtained crop loan are entitled for post-harvest loan on NWRs for a period of another six months. The farmers who do not avail crop loan due to some or other reasons are not entitled for post-harvest loan with interest subvention against NWRs.
- ii. One of the conditions for availing pledge finance against NWRs is that first crop loan should be repaid.
- iii. The above loan is available to only small and marginal farmers having Kisan Credit Card (KCC). Since, most of small and marginal farmers have little surplus agricultural produce to store in scientific warehouses, there is limited benefit of this scheme and the main objective of increasing liquidity in rural areas through loan against negotiable warehouse receipts cannot be achieved. All categories of farmers covered under the KCC should be eligible for concessional loan against negotiable warehouse

receipts. This will boost the warehousing sector and strengthen the negotiable warehouse receipt system introduced by the Govt. of India by enacting the Warehousing (Development and Regulation) Act, 2007. Besides, this will increase liquidity in rural areas.

- iv. Lack of awareness about the scheme among small and marginal farmers. Banks should give advertisement to popularise the scheme.
- v. Inadequate number of registered warehouses.

6.2. Progress under interest subvention scheme

- A circular has been issued to Cooperative Banks and Regional Rural Banks by NABARD
- A modest beginning has been made in Andhra Pradesh by disbursing refinance to Andhra Pradesh State Cooperative Bank
- Similarly, ground level disbursement has taken place in Tamilnadu

6.3. Crop loan scheme with interest subvention extended to post harvest on NWRs

The benefit of crop loan scheme has been made available to small and marginal farmers having Kisan Credit Card for a further period of up to six months post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouse. The scheme has not become popular among the farmers as those farmers which do not avail crop loan, are not entitled for post harvest loan on NWRs. Moreover, only small and marginal farmers are eligible for post harvest loan. The big farmers have surplus agricultural produce for storage in warehouses therefore; they should also be eligible for post harvest loan on NWRs. Interest subvention of 3% for timely repayment of loan is not available on post harvest loan against NWRs.

Therefore, it is proposed that the existing scheme should provide pledge financing for all the farmers holding KCC against NWRs issued by all the registered warehouses including cold storages. The loan should be for a period of six months and the maximum loan amount should be enhanced to Rs. 5.0 lakh. However, the Department of Financial

Services is of the opinion that the scheme of interest subvention should be available to only small and marginal farmers and the maximum limit of loan amount should be upto Rs. 3.0 lakh.

Another option could be as follows:

If the farmers deposit their produce in the registered warehouses and get the NWRs and send it to banks, the limit in KCC account should be automatically enhanced to 75% of the price of the agricultural goods. As the KCC account is current, no further procedure or sanction is needed and the bank can enhance the limit immediately. The scope of the scheme may be extended to non-KCC holders also like tenant farmers, oral lessees, share croppers etc. who otherwise do not get institutional credit easily.

6.4. Role of the Banks in pledge financing of NWRs

With a view to popularize the pledge financing of negotiable warehouse receipts among farmers, it is proposed that:

- a. Banks should insist the warehouse owners to get the warehouses accredited and registered with the WDRA to derive the benefits of NWRs. Some of the banks like Andhra Bank has issued circular in this regard. Other banks can also replicate these instructions to their branches.
- b. Banks could consider better financial treatment in terms of margin and rate of interest on the NWRs issued by the warehouses registered with the WDRA. Some banks like Canara Bank have issued circular in this regard.
- c. Bank may set internal targets for lending against negotiable warehouse receipts. This may be monitored by RBI in case of commercial banks and by NABARD in case of Cooperatives / RRBs. The progress should be reported to DFS / WDRA by RBI / NABARD with action plan / action taken report, for review.

6.5. Pilot to have arrangement for ensuring integrity of underlying stocks

At present, different banks have engaged different collateral managers for pledge financing against warehouse receipts. The terms and conditions of the memorandum of

understanding between banks and collateral managers are different. There is a need that there should be uniformity in terms and conditions of all the banks and their collateral managers. A new arrangement may be developed to bring more satisfaction to the banks and also adhere to norms of WDRA. The arrangement will help in inspection and monitoring of stocks and to bring certainty in physical stocks being kept in warehouse. Since, the WDRA is not having relevant provisions in its Act, these arrangements can be pursued under Contracts Act. Since, this will be a new arrangement, a trial may be conducted on pilot basis with a few selected banks in a few States. For designing and running pilot, a small group consisting of WDRA, a representative of the DFS and 3-4 Bankers may be constituted. Reputed collateral managers should be consulted by the group.

6.6. Publicity to the scheme

Very little efforts have been made by the Banks to make the farmers aware about the scheme. There is a need to advertise the interest subvention scheme of pledge loan against the NWRs and the advertisement issued by the Banks can include a portion of this scheme in their advertisements. Therefore, publicity through print and electronic media about the pledge financing scheme on NWRs should be carried out so that the farmers may be made aware about the scheme. The information should also be made available in the portal of the banks.

6.7. Reimbursement of produce pledge loan to the Cooperative Banks/Societies by the NABARD

There is a demand from State Governments that NABARD's refinance for interest subvention be increased from 60% to 100% to the State Cooperative Banks / Societies. Also, NABARD should clearly define the procedure for availability of funds at 4.5% to Cooperative Banks. In order to promote this the initial phases, it is suggested that the NABARD should accept this demand.

6.8. Monitoring of pledge financing on NWRs by banks

The progress of pledge financing on NWRs to farmers by the banks may be reviewed in the State Level Bankers Committee and District Level Bankers Committee. The monitoring of the progress in pledge financing of NWRs should be done at National level by RBI in case of commercial banks and by NABARD in case of Cooperatives / RRBs. The progress should be reported to DFS / WDRA by RBI / NABARD with action plan / action taken report, for review.

6.9. Payment of post harvest loan to banks by farmers

The farmers who have availed post harvest loan against NWRs cannot sell their produce until they repay the pledge loan to the banks. They have to again approach to the local traders / commission agents for taking advance against their produce stored in the warehouses to repay the loan to release the pledge. In such cases, the prices of agricultural produce on which such advance are given are decided by the traders / commission agents. Thus, the farmer is at disadvantage. The NABARD should study this issue and bring out some solution.

6.10. Training of Bankers

Training programmes on benefits of NWRs to the farmers, pledge financing of NWRs and accreditation and registration of warehouses with the WDRA should be organized by the banks for their officers so that the system of NWRs and their financing by the banks may be strengthened in the country.

CHAPTER VII

7. Strengthening Negotiable Warehouse Receipt System and creation of quality warehouses across the country

7.1. Role of Warehousing and Cold Chain in Supply Chain

The warehousing, cold chain and logistics play very important role in maintaining the supply chain of horticultural, agricultural and other essential commodities in the country as well as promoting the agriculture marketing, rural banking and financing. The continuous supply of fruits, vegetables and other essential commodities to the consumers ensures Food Security in the country.

There is a need that modern technologies in construction of warehouses and cold storages, material handling, logistics, preservation and quality control should be introduced in the country. The Government has introduced various schemes and incentives for the development of warehousing and cold chain sector in the country. Rural Infrastructure Development Fund (RIDF) scheme of NABARD for the funding of construction of warehouses and cold chain projects has been made available to the private sector also. During the year, 2014-15, Rs. 5,000 crores have been exclusively earmarked for warehousing and cold chain sector. Recently, the NABARD has taken a decision to earmark Rs. 2,000 crores from the RIDF for granting financial assistance to the cold chain projects of food processing industries.

Increased investment by the private sector in the warehousing and cold chain sectors particularly in rural areas can provide the physical infrastructure and modern technology, thereby increasing the efficiency in the handling, storage and transportation of agricultural commodities. A large number of rural youths may be employed in such activities. This will strengthen the agriculture economy of the country. The WDRA can play an important role by interfacing with cold chain networks so that farmers can either sell their horticultural produce for ready cash at the market or obtain negotiable warehouse receipts from registered cold storages, which they can then use to secure financing from the banks. This will increase financial flexibility of the farmers who are presently compelled to sell for ready cash at subdued price.

7.1.1. Problems in registration of cold storages

As per WDRA's requirement insurance of goods of 100% storage capacity is required for accreditation / registration of cold storages. Since average capacity utilization in the year is less than be total storage capacity, cold storage owners are reluctant to take insurance policy on the basis of 100% capacity utilization. This needs to be simplified to encourage cold storage owners to register their warehouses with WDRA.

7.2. Measures for strengthening the NWR system and creation of quality warehouses in the country

7.2.1 Need for Full Fledged Infrastructure Status to Warehousing Sector

Post harvest storage infrastructure for agriculture and horticulture produce including cold storage" and 'Cold chain' have already been included in the Harmonized Master list of infrastructure sub-sectors and are eligible for benefits such as enhanced limits in exposure by lending agencies and the External Commercial Borrowings (ECB), longer tenor funds from insurance companies and pension funds, eligibility to borrow from India Infrastructure Company Limited (IIFCL), etc.

By allowing the benefits by way of concession in Income Tax, lower rate of interest on loans etc. would help in promoting warehousing activities and will encourage construction of scientific warehouses. This may be achieved by giving a full-fledged infrastructure status to the warehousing sector. In the various conferences organised by the WDRA, it has been brought out that for accelerated and incentivised growth of sector, warehousing should be given the full fledged infrastructure status.

The Working Group appointed by the Planning Commission on Warehousing Development and Regulation for the 12th Plan Period (2012-17) had also recommended for according full fledged status of an infrastructure to the warehousing sector.

In view of the above, the Committee proposes that the warehousing sector should be accorded the status of a full fledged infrastructure so that all the benefits accruing to infrastructure sector including benefits arising by way of income tax concessions etc. becomes admissible to the warehousing sector.

7.2.2 Simplification of accreditation / registration rules and regulation

In order to provide a fillip to warehouse building, there is a need to reduce the costs of complying with multiple laws and regulations. Most States have State Warehousing laws to that create licensing requirements for warehouses in India therefore requires State-level approvals. State-level requirements for licensing vary across India and there are divergences in the legal requirements for establishing and operating a warehouse. There is also a divergences in the quality of regulation of warehousing across different States in India. Therefore, it is required to streamline these requirements to minimise the compliance burden and bring a more uniformed legal framework to incentivise the development of the warehousing sector. Some of the amendments suggested in Rules and Regulations are as follows:

- i. The word “owner” should be removed from Rule 13 (3) of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010.
- ii. The procedure of renewal of registration needs to be simplified. Registration period can be six years instead of three years.
- iii. The Rule 5 and Rule 6 of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 which require registration fee through Demand Draft of Nationalized Banks require amendments. The DD of all the Banks, electronic transfer of registration fee should be included in the revised rules.

- iv. A requirement of mandatory insurance coverage is another issue worth consideration. Although an insurance cover does mitigate risk, it adds an expenditure on the warehouse owner. Therefore, rules on insurance cover of warehouses must consider the present capacity utilization rather than the total capacity of the warehouse. This process would be monitored by the real-time database recommended to store warehouse related information.

7.2.3 Additionally, with a view to register more warehouses for issuance of NWRs, the WDRA has reviewed its existing accreditation norms of warehouses and have relaxed certain requirements / norms for accreditation / registration of warehouses. The relaxed norms are as follows:

a. Structural requirements

BIS standards would be accepted by the Authority. However, the accreditation agency will have some discretion in relaxing the structural requirement without compromising the overall storage worthiness of the warehouse.

b. Relaxation in Plinth height

The check-list of the WDRA for accreditation agencies provides for a plinth height of 91 cm for accreditation and registration of warehouses. The WDRA has decided to relax the condition for registration of warehouses and the minimum plinth height has been fixed at 61 cm from the road level for the road fed godowns as a standard, which may vary according to topography. In case of rail fed godowns, minimum plinth height of 91 cm shall be required.

c. Manpower requirement:

The proposed minimum manpower requirement were approved by the Authority with suggestions that in case pest control and security services are out sourced, the manpower requirement may be adjusted accordingly. The revised manpower requirements are as follows:

Storage capacity of warehouse (in MTs)	Upto 5,000	5,001-10,000	10,001-25,000	Above 25,000
Warehouse Head / QC person	1	1	1	1
QC Inspector (Technical Assistant)	-	1	1	2
Warehouse Assistant	1	1	3	4
Security Guards	3	3	4	6

The above manpower requirements are not applicable to small warehouses of PACS.

d. Laboratory and testing equipment:

The separate laboratory space/room would not be mandatory for accreditation of warehouses and if the minimum laboratory equipment as per the list given below are available in the warehouse, these may suffice for accreditation purposes:

S. No.	Equipment	Minimum requirement
1.	Physical balance	1
2.	Moisture meter	1
3.	Sieve set	1
4.	Enamel plates (white)	2
5.	Sample bag	As per requirement
6.	Parkhi (bag trier)	2
7.	Sample seal	1
8.	Magnifying glass	1
9.	Rat cages	As per requirement
10.	Foot sprayer	2
11.	Sand snakes	As per requirement
12.	Hand gloves	As per requirement
13.	Tarpaulin	2
14.	Ladder	1
15.	First aid box	1
16.	Fire extinguisher	As prescribed
17.	Fire buckets	As prescribed
18.	Platform scales	As per needs
19.	Gum boots	As per need
20.	Ploythene sheets	As per need
21.	Bamboo mats	As per requirement
22.	Wooden crate	As per requirement
23.	Fumigation cover	As per requirement

The Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 require the following documents from the applicants:

- i. Identity proof
- ii. An undertaking by the applicant that all the local large have been complied with for carrying out the business of the warehousing
- iii. Fees and security deposit
- iv. Accreditation certificate issued by a WDRA approved accreditation agency
- v. Statement of financial credibility
- vi. Proof of ownership or lease deed or rent agreement, showing possession of the warehouse
- vii. Proof of compliance with BIS specifications
- viii. Adequate insurance coverage

Many of these documents are also required by the State warehousing authorities while granting the warehouse licence. As a result, there is a duplication of paperwork in cases where a warehouse owner wishes to register with the WDRA. Therefore, there is a need to re-write registration rules / regulations of WDRA so as to prevent duplication of registration requirements of warehouses already licensed by the State authorities.

7.2.4 Unified policy of insurance for WDRA requirement

The Warehousing (Development and Regulation) Act, 2007 provides that warehouse receipt should have name of the insurance company indemnifying for fire, floods, theft, burglary, misappropriation, riots, strikes or terrorism. To mitigate these risks, the three insurance policies viz standard fire and special perils, burglary and fidelity guarantee policies are required by the warehouse owners. These insurance policies add an expenditure on the warehouse owners. Further, these policies are required for the total storage capacity of the warehouses.

The insurance companies may be approached to devise a unified insurance policy for the warehouses including cold storages covering all the risks mentioned in the Warehousing Act, 2007. This will reduce the premium to be paid by the warehouse owners. The warehouse owners may be advised to take floater insurance policies for the warehouses. The State Cooperative Banks / District Cooperative Banks can take floater policies on behalf of the PACS warehouses.

7.2.5 Electronic Warehouse Receipts

As per the Warehousing (Development and Regulation) Act, 2007, the Negotiable Warehouse Receipts (NWRs) can be in both paper and electronic forms. The advantages of Electronic Warehouse Receipts (EWRs) over the paper warehouse receipts include: reduction in manual handling, elimination of transportation of paper warehouse receipts, reduction in chances of forgery and quick access to information. The EWRs provide for faster movement of information and automatic creation of audit trail. The EWRs can break barriers and promote national market in agricultural goods to benefit farmers. EWRs will promote proper grading, inspection and weighment. The EWRs will help farmers / depositors to: -

- (i) have access to a large number of buyers nationwide,
- (ii) have better bargaining powers,
- (iii) realize higher prices by selling graded produce,
- (iv) have their prices quoted and immediate payment received, and
- (v) avoid distress sales by getting loans from banks against EWRs.

Therefore, there is a need to introduce electronic negotiable warehouse system in the country at the earliest.

7.2.6 NWR as Government security under Securities Contracts (Regulation) Act, 1956

The Department of Economic Affairs, Ministry of Finance needs to be persuaded to declare the negotiable warehouse receipt as Government security under the Securities Contracts (Regulation) Act, 1956 and specified in section 2 of Public Debt Act, 1944 so that the entire regulatory framework applicable to dematerialization and transfer of “securities by NDSL would apply to NWR”. The record of depositories would be considered as prima facie evidence of ownership of NWR. The NWRs, once declared as security by the DEA may be kept in the depository account of NSDL. This will expedite the safe transfer of EWRs in the Commodity and Futures Markets and pledge with Banks and other transactions. NSDL route is favoured as depository because to create a new organisation will take time, needs funds and will have viability issues.

7.2.7 Introduction of Modern Technology in warehousing sector

The warehousing market in India is expected to grow rapidly, displaying high potential for growth over the next few years. Currently, the sector is highly fragmented with small players holding small units distributed across States with many challenges. These warehouses have:

- Lack of mechanization in loading and unloading of stocks
- Untrained manpower
- Limited technology penetration and innovation
- Lack of world-class standards and specifications
- Very little quality testing facilities

To promote efficiency in the warehousing sector, new technology should be introduced in handling, storage and transportation of foodgrains. IT technology should be introduced for efficient inventory management in the warehouses. Modern equipments and machines should be used for stacking and loading of stocks in the warehouses. Modern electronic equipment may be used for quality testing of agricultural produce being stored in warehouses. Similarly, latest techniques in preservation and insect- pest control should be used in the

warehouses. The NABARD has been encouraging construction of warehouses with modern technology of construction such as dome structures with galvalume roof.

The institutions like Indian Grain Storage Management and Research Institute, Hapur, UP which are engaged in research, development and training in the field of post-harvest technology should be strengthened.

7.2.8 Awareness programmes for the farmers

There is a need that more publicity and awareness programmes should be carried out for the farmers to encourage them to store their agricultural produce in registered warehouses and avail the benefit of loan from banks on NWRs. The CWC, SWCs, NABARD, FMC, Cooperative Departments of the States and Banks can organize awareness programmes from their own funds around registered warehouses to make farmers aware about the benefits of scientific storage and NWRs. The FMC is also organizing programmes for the farmers awareness. These programmes can also cover subjects on benefits of NWRs and scientific warehousing of agricultural commodities. The Government should provide more funds for organising country wide awareness programmes for the farmers in every registered warehouse and cold storage.

7.2.9 A robust mechanism of inspection of warehouses

To ensure that the infrastructure, operational procedures and other provisions prescribed under the Warehousing (Development and Regulations) Act, 2007 the rules and regulations, and those as checked by the accreditation agencies at the time of accreditation of warehouses are complied and followed by the registered warehouses and to protect the integrity of negotiable warehouse receipts, there should be a robust mechanism for inspection of registered warehouses. This job cannot be done by the WDRA having very little staff. Expert inspection agencies may be out sourced by the WDRA for this purpose.

7.2.10 Capacity Building Programme in Warehousing Sector

There is an acute shortage of trained warehousemen and other staff in the warehousing sector, both in the public and private sectors. Most of the private warehouses are not having trained warehousemen and other technical staff. Moreover, they are not familiar with the code of practices of scientific storage of agricultural and other commodities. Graders, weighers and staff engaged in sampling and physical analysis of agricultural and other commodities are not properly trained. Therefore, there is a need that all these warehousemen and other personnel should be imparted proper training in their respective fields. These training programmes may be organised through CWC, FCI and other identified organisations with the financial assistance of WDRA. Adequate budget be earmark for capacity building programmes for warehouse managers.

7.2.11 Procurement of foodgrains through NWRs

The Central Government extends price support to paddy, coarse grains and wheat through Food Corporation of India and the State Agencies. All the food grains conforming to the prescribed specifications offered for sale at specified centers are bought by these agencies. The producers have the option to sell their produce to FCI/State Agencies at the support price or in the open market as is advantageous to them. The procurement policy is open ended and no targets, as such, are fixed for the procurement of food grains. There is a huge rush among farmers to bring the produce to the market if the MSP is attractive and / or higher than the prevailing market price. This leads to a glut in the market; delays in procurement & lifting and issues like quality, drying, cleaning of the grain take the back seat.

The Department of Food & Public Distribution / Food Corporation of India may explore the possibility of use of Negotiable Warehouse Receipts for procurement of food grains for TPDS to avoid a glut in the market and bring out efficiency and improvements in storage and handling operations. The farmers, on delivery of the negotiable warehouse receipts, would be paid immediately by the procuring agency.

The Commission for Agricultural Costs and Prices in its non-price recommendations for the Rabi crops of Marketing Season 2015-16 has mentioned that NWRs regulated by the WDRA need to be increasingly encouraged as they allow transfer of ownership of a commodity stored in a warehouse without physical delivery. Farmer can seek loan from banks against these warehouse receipts and avoid distress sale. It would increase liquidity in rural areas and encourage better price risk management of agricultural commodities. Pilot projects in certain States needs to be taken up where NWRs issued by the WDRA registered warehouses can supplement procurement by the FCI.

It is recommended that procurement through NWR may be undertaken by the FCI on a pilot basis in a few districts to determine the benefits for the farmers, the warehousemen, the procuring agencies, the Government and other stakeholders.

7.2.12 Warehouses to be declared as Mandis

The Government of India may pursue the matter with all the State Governments for permitting the registered warehouses with the WDRA to be notified as Mandis under the relevant APMC Act. The State of Karnataka has taken initiative on this issue. In Punjab, the State Government has declared some silos as Mandis. Other States may also declare warehouses registered with the WDRA as Mandis to facilitate trade.

7.2.13 Simplification conversion of land use

Procedure for conversion of agriculture land for industrial or commercial use are cumbersome and time-consuming. Simplification of procedure of conversion of land use for warehousing sector and earmarking of land for warehouses by State Governments at Planning Stage in urban areas would facilitate the development of warehousing infrastructure in the country. Since warehousing operations are basically extension of agricultural activities, the warehouses should be exempted

from requirement of land use conversion which are used for agricultural commodities. This issue should be taken up with the State Governments.

7.2.14 Warehousing Policies of the States

Some of the States like Madhya Pradesh and Odisha have declared their warehousing policies for the development of warehousing infrastructure in their States.

The Government of Madhya Pradesh has announced a Warehousing and Logistics Policy 2012. The policy has the following objectives:

- To develop the State of Madhya Pradesh as a Warehousing and Logistics Hub of India.
- To provide modern warehousing and logistics facilities in the State.
- To encourage private investment in development of warehousing and logistics infrastructure in the State.
- To benefit the existing industries, traders, farmers and agriculturists at large by providing cost effective warehousing and logistics facilities.
- To generate employment in the State.

Under the Policy, the Warehousing projects with capital investment of more than Rs. 1.0 crore are eligible for capital subsidy of 15% of the infrastructure development cost (excluding land cost) upto a maximum of Rs. 2.25 crore for a warehouse of 50,000 Metric Tonne. The project cost if Rs. 3000 per MT.

To promote quality certification, such as WDRA or ISO 9000, for newly constructed warehouses, the Government of Madhya Pradesh reimburses 50% of the cost of certification or Rs. 1.0 lakh whichever is less.

The other State Governments may also announce warehousing policies to promote warehousing in their States.

7.2.15 Exemption of commodities stored in registered warehouses from stock limits under EC Act, 1955

The Essential Commodities Act, 1955 dealing with the stock limits of agricultural commodities have been liberalized and list of the commodities

covered under the Act has been reduced from 54 to 7 at present. In order to contain the inflationary pressure on prices of essential commodities, the Government has been imposing stock limits on paddy, rice, pulses, sugar, edible oils and edible oil seeds, etc. the stock limits and free movement of these commodities goes against the spirit of reforms and affects their free trade in the country. Keeping in view the same, the Ministry of Consumer Affairs, Food and Public Distribution, has exempted the stock limits of commodities under EC Act, 1955 kept in regulated warehouses (registered by the WDRA) for future markets subject to the condition that these warehouses publish the information of stock available with them on real time basis. The Committee is of the opinion that this exemption of stock limits of commodities under the EC Act, 1955 should be applicable to all the registered warehouses with the WDRA, subject to the condition they will publish the information of stock available with them on real time basis.

7.2.16 Suggestions to improve income of warehouses

i. Installation of Solar Photovoltaic Panels on the rooftop of warehouses

The vast area of flat rooftops of the warehouses may be utilized for installing solar photovoltaic panels to generate electricity. The surplus power may be supplied to nearby customers / local distribution companies or connected to grid. Solar based electrical production is non-dependant on fossil or nuclear fuels. The system generates energy even in low light (overcast / cloudy) conditions with zero CO₂ emissions. This is cost-effective and widely accepted renewable source of energy that guarantees on-site green electricity production in an urban environment. A special policy for Solar Photovoltaic Panels on rooftops of the warehouses may be made so that the immense potential of production of electricity may be harvested. The Ministry of New and Renewable Energy (MNRE) has a policy for incentives for setting up grid-connected solar roof-top projects which is being implemented by

Solar Energy Corporation of India (SECI). This may be suitably modified to cover the needs of existing warehouses.

It is desirable that regulatory / policy guidelines are issued for all warehouses rooftops to be built in future to be compatible for solar PV installations, and also being of flat or low inclination surface with orientation towards south to the extent possible. This aspect should be taken care of right at the design stage. The advisory may be sent to MNRE and State Governments by the Department of Food and PD.

ii. Pest control services to small warehouses and other customers.

The bigger warehouses having trained manpower, equipment and pesticides for preservation of agricultural produce in their warehouses may provide these services to small warehouses who are not having such facilities. This hand holding support by the bigger warehouses to smaller warehouses will generate income as well as help the small warehouses in preserving their foodgrains and other agricultural commodities. The NABARD has already piloted such arrangements in Andhra Pradesh under Hub and Spoke Model.

iii. ATMs and branches of Banks may also be set up in the warehouse premises wherever feasible.

CHAPTER VIII

8. Transformation Plan of the WDRA

The WDRA, in association with the Department of Food & Public Distribution, the Department of Economic Affairs and the National Institute of Public Finance & Policy (NIPFP), is undertaking a transformational plan to invigorate the warehousing sector and significantly improve post-harvest lending to farmers against negotiable warehouse receipts. The budget speech 2014-15 of the Finance Minister contains a para on the transformation plan of the WDRA, which is reproduced below:

‘Para 127.As part of strengthening the regulatory framework for commodity markets, the Warehouse Development and Regulatory Authority (WD&RA) has begun a transformation plan to invigorate the warehousing sector and significantly improve post-harvest lending to farmers against negotiable warehouse receipts. This plan will be implemented with vigor.’

2. Based on the features of the market, some of the problems observed in the present regime are:

- **Inadequate regulation of quality of warehousing:** There are no legally mandated requirements regarding performance standards, minimum networth, etc.
- **Lack of risk absorption capacity:** Market entities transacting in warehouse receipts are not certain of the ability of the warehousing service provider to indemnify against losses.
- **Low deterrence for offences:** Warehousing service providers do not face strict and credible enforcement action.

3. Building a large, high-quality, liquid market for NWRs will benefit all those directly involved in the agricultural sector. However, the role of an agency like WDRA that is working close to the ground must have a narrowly defined focus.

4. The transformation plan envisages a complete revamp of the WDRA's functioning. Key points of focus include the following:
- i. Re-writing the existing rules and regulations with a focus towards building NWRs as credible instruments of trade. This will require a shift towards risk-based regulation, lowering compliance costs, creation of a rating system for warehouses, the creation of information repositories and the electronification / dematerialisation of NWRs under the present WDRA Act;
 - ii. Building organisational capability within WDRA to effectively regulate the NWR market. This will require strengthening the WDRA, creating IT-based internal processes and systems, creating monitoring and surveillance tools, and staff capacity building; and
 - iii. Conducting market surveys and studies to generate information about the warehousing sector. These surveys and studies are proposed to be conducted annually by WDRA to enable evidence-based regulation, and to disseminate greater information relating to the warehousing sector.
5. The Government of India have approved a budget outlay of Rs. 44.9 crore for implementation of the transformation plan over the years 2014-15, 2015-16 and 2016-17.

8.1. Legal constraints

The WDRA's focus on revamping its regulations is to build a functioning market for NWRs by solving market failures in the warehousing sector. The following two important legal constraints distinguish WDRA from a classical regulatory agency like TRAI, SEBI and RBI:

- The WDRA cannot mandatorily regulate all warehouses, but only those who intend to issue NWRs, and
- Other than cancelling the registration of those who voluntarily register with it, the WDRA does not have any coercive powers to impose penalties

/ sanctions against, those who are issuing NWRs in violation of the WDRA Act.

Given these constraints, the WDRA cannot regulate the warehousing sector by legal fiat. The NWRs issued by the WDRA are actually in competition with warehouses receipts and other instruments more widely used within the market.

The internal philosophy of the agency therefore needs to re-orient itself to the narrow goals of solving market failures by building the credibility of NWRS as a viable financial instrument. Doing this requires the following:

- Re-writing rules and regulations to solve market failures.
- Re-designing (and adding capacity to) the organisations to make it oriented towards providing fast, efficient, and better services to its customers; and
- Remaining transparent and accountable to Parliamentary by adhering to the letter of the WDRA Act.
- Amendments in Act to provide powers to the WDRA to impose penalties and punitive action.
- Separate regulations for registration of Warehouse Service Providers (WSPs).

8.2. Re-writing WDRA Rules and Regulations

The WDRA has embarked on a transformation plan to revamp its organisations and regulatory framework. The following principles will govern the approach to re-writing WDRA rules and regulations:

1. Emphasis on verifying the ability of the warehouse service provider to conduct the warehousing business, and cover for losses;
2. Ensuring differentiated categories of warehouse service providers can issue NWRs, rather than taking a one-size-fits all approach;
3. Ensuring that there are negative consequences, both market-based and regulator-led, for non-delivery of inferior commodities. The imposition of such liability should take into account the different business models and processes within the warehousing sector;

4. Giving emphasis to improved access to information related to the activities of warehouses and NWRs;
5. Statistical methods of inspection to ensure registered warehouses are complying with registration requirements;
6. Continuous improvements in the efficiency of regulator's performance;
7. Emphasis on customer protection;
8. Highest standards of transparency and data protection; and
9. Reducing compliance costs for registered entities.

8.3. Rating of the warehouses

During the transformation plan of the WDRA, the NIPFP would also explore the possibility of rating of warehouses based on various facilities including infrastructure, network, security and fire fighting arrangements, trained manpower and equipment available for quality control and preservation of agricultural commodities. This will help in quick accreditation and registration of warehouses with the WDRA and customers will be able to select warehouses as per their needs and requirements.

8.4. Use of Online Technology

The WDRA, being a relatively new Regulator, has to have all its systems designed to operate on latest online technology. It is stipulated that at least the following functions will be carried out on line:

1. Registration of Accreditation Agencies
2. Registration of Warehouses
3. Issuance of NWR by registered warehouses
4. Regular periodic returns and exception reporting of warehouses
5. Electronification of NWRs to facilitate their trading in Exchange Platform and pledge financing from Banks

8.5. Only some important features of the Transformation Plan have been given above. The plan should be implemented at the earliest.

CHAPTER IX

9. Recommendations of the Committee

On the basis of discussions in the preceding paras, the conclusions and recommendations of the Committee are as follows:

9.1. Assessment of post harvest losses

A comprehensive study for assessment of post-harvest losses in foodgrains should be carried out by the Department of Agriculture and Cooperation / Department of Food and Public Distribution.

9.2. Crop loan scheme with interest subvention extended to post harvest on NWRs

9.2.1 The Committee recommends that the existing scheme should provide pledge financing for all the farmers holding KCC against NWRs issued by all the registered warehouses including cold storages. The loan should be for a period of six months and the maximum loan amount should be enhanced to Rs. 5.0 lakh. However, the Department of Financial Services is of the opinion that the scheme of interest subvention should be available to only small and marginal farmers and the maximum limit of loan amount should be upto Rs. 3.0 lakh. The Committee suggests that the issue of covering all farmers and maximum limit of loan may be reviewed by the Department of Financial Services at appropriate time.

9.2.2 If the farmers deposit their produce in the registered warehouses and get the NWRs and present it to the banks, the limit in KCC account should be automatically enhanced to 75% of the price of the agricultural goods. As the KCC account is current, no further procedure or sanction is needed and the bank can enhance the limit immediately. However, this will be possible within the current maximum limit of loan amount, i.e. Rs. 3.00 lakh.

9.3. Publicity to the scheme

Very little efforts have been made by the Banks to make the farmers aware about the scheme. There is a need to advertise the interest subvention scheme of pledge loan against the NWRs and the advertisement issued by the Banks can include a portion of this scheme in their advertisements. Publicity through print and electronic media about the pledge financing scheme on NWRs should be carried out so that the farmers may be made aware about the scheme. The information should also be made available in the portal of the banks.

9.4. Role of the Banks in pledge financing of NWRs

The Committee recommends that: -

- a. Banks should insist / encourage the warehouse owners to get the warehouses accredited and registered with the WDRA to derive the benefits of NWRs. Some of the banks like Andhra Bank has issued circular in this regard. Other banks can also replicate these instructions to their branches.
- b. Banks could consider better financial treatment in terms of margin and rate of interest on the NWRs issued by the warehouses registered with the WDRA. Some banks like Canara Bank have issued circular in this regard.
- c. Bank may set internal targets for lending against negotiable warehouse receipts. This may be monitored by RBI in case of commercial banks and by NABARD in case of Cooperatives / RRBs. The progress should be reported to DFS / WDRA by RBI / NABARD with action plan / action taken report, for review.

9.5. Pilot to have arrangement for ensuring integrity of underlying stocks

Banks are having collateral managers for pledge financing on warehouse receipts / negotiable warehouse receipts. The Committee recommends that a new arrangement may be developed to bring more satisfaction to the banks and also adhere to norms of WDRA. The arrangement will help in inspection and monitoring of stocks and to bring

certainty in physical stocks being kept in warehouse. Since, the WDRA is not having relevant provisions in its Act, these arrangements can be pursued under Contracts Act. Since, this will be a new arrangement, a trial may be conducted on pilot basis with a few selected banks in a few States. For designing and running pilot, a small group consisting of WDRA, a representative of the DFS and 3-4 Bankers may be constituted. This group will also consult reputed collateral managers for promoting / facilitating NWRs.

9.6. Reporting and Monitoring of pledge financing on NWRs by the Banks

A proper reporting system of pledge financing of negotiable warehouse receipts should be put in place by all the banks. The progress of pledge financing on NWRs to farmers by the banks may be reviewed in the State Level Bankers Committee and District Level Bankers Committee. The monitoring of the progress in pledge financing of NWRs should be done at National level by RBI in case of commercial banks and by NABARD in case of Cooperatives / RRBs. The progress should be reported to DFS / WDRA by RBI / NABARD with action plan / action taken report, for review.

9.7. Reimbursement of produce pledge loan to the Cooperative Banks / Societies by the NABARD

The NABARD should reimburse 100% produce pledge loan against NWRs to the State Cooperative Banks / Societies in the initial stage of scheme to make it more popular. NABARD may decide the amount of 100% reimbursement.

9.8. Payment of post harvest loan to banks by farmers

The farmers who have availed post harvest loan against NWRs cannot sell their produce until they repay the pledge loan to the banks. They have to again approach to the local traders / commission agents for taking advance against their produce stored in the warehouses to repay the loan to release the pledge. In such cases, the prices of agricultural produce on which such advance are given are decided by the traders / commission agents. Thus, the farmer is at disadvantage. The Committee recommends that the NABARD should study this issue and bring out some solution.

9.9. Need for Full Fledged Infrastructure Status to Warehousing Sector

It is recommended that warehousing sector should be accorded a full-fledged infrastructure status so that the benefits of concession in Income Tax, lower rate of interest on loans etc. are available to this sector.

9.10. Introduction of Modern Technology in warehousing sector

The Committee recommends that to promote efficiency in the warehousing sector, new technology should be introduced in handling, storage and transportation of foodgrains. IT technology should be introduced for efficient inventory management in the warehouses. Modern equipments and machines should be used for stacking and loading of stocks in the warehouses. The NABARD has been encouraging construction of warehouses with modern technology of construction such as dome structures with galvalume roof.

The institutions like Indian Grain Storage Management and Research Institute, Hapur, UP which are engaged in research, development and training in the field of post-harvest technology should be strengthened.

9.11. Insurance requirements for accreditation and registration of warehouses

The Committee suggests that the insurance companies may be approached by the WDRA / Government to devise suitable insurance policies for the warehouses including cold storages covering all the risks such as Fire and Allied Perils, Burglary and Theft, Fidelity Guarantee, etc. The misappropriation, if covered, has to be defined appropriately in simple words and may be considered under Fidelity Guarantee coverage provided by the insurers. Moreover, State agencies may be advised to take floater insurance policies for the warehouses.

9.12. Rating of the warehouses

The Committee recommends that the NIPFP would explore the possibility of rating of warehouses based on various facilities including infrastructure, networth, security and

fire fighting arrangements, trained manpower and equipment available for quality control and preservation of agricultural commodities.

9.13. A robust mechanism of inspection of warehouses

It is recommended by the Committee that the WDRA should put in place a robust mechanism for inspection of registered warehouses to protect the integrity of NWRs. Expert inspection agencies may be out sourced by the WDRA for this purpose.

9.14. Introduction of Electronic Warehouse Receipt

Since, there are a number of advantages of Electronic Warehouse Receipts (EWRs) over the paper warehouse receipts, the WDRA should initiate action for introduction of Electronic Warehouse Receipt system in the country at the earliest which provide for faster movement of information and automatic creation of audit trail.

9.15. NWR as Government security under Securities Contracts (Regulation) Act, 1956

The Department of Economic Affairs, Ministry of Finance should declare the negotiable warehouse receipt as Government security under the Securities Contracts (Regulation) Act, 1956 and specified in section 2 of Public Debt Act, 1944 so that the entire regulatory framework applicable to dematerialization and transfer of securities by NDSL would apply to NWR.

9.16. Simplification of accreditation / registration rules and regulation

It is recommended that the rules and regulations of the WDRA for accreditation and registration of the warehouses should be simplified / re-written / amended, if required so as to prevent duplication of accreditation/registration requirements of warehouses already licensed by the State authorities. Some of the amendments suggested are:

- i. The word “owner” should be removed from Rule 13 (3) of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010.
- ii. The procedure of renewal of registration needs to be simplified. Registration period can be six years instead of three years.

- iii. The Rule 5 and Rule 6 of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 which require registration fee through Demand Draft of Nationalized Banks require amendments. The DD of all the Banks, electronic transfer of registration fee should be included in the revised rules.
- iv. The WDRA may examine provisions in Rule 3 (2) of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 and resolve / clarify the issue.

9.17. Capacity Building Programme in Warehousing Sector

It is recommended that all the warehousemen and other personnel engaged in warehousing sector should be imparted proper training in their respective fields. These training programmes may be organised through CWC, FCI, NABCONS, reputed training institution of banks / State Cooperative banks / Cooperative institutions.

9.18. Training of Bankers

Training programmes on benefits of NWRs to the farmers, pledge financing of NWRs and accreditation and registration of warehouses with the WDRA should be organized by the banks for their officers so that the system of NWRs and their financing by the banks may be strengthened in the country.

9.19. Awareness programmes for the farmers

It is recommended that more publicity and awareness programmes should be organized for the farmers to encourage them to store their agricultural produce in registered warehouses and avail the benefit of loan from banks on NWRs. The CWC, SWCs, NABARD, Cooperative Departments of the States and Banks may be involved in organizing such programmes. More funds should be provided by the Government for this purpose.

9.20. Regional conferences for the stakeholders

It is recommended that regional conferences for stakeholders viz warehouse managers, cold storage owners, warehouse service providers, Government Officers, Banks, Cooperatives on benefits of registration with the WDRA may be organised by the WDRA.

9.21. Publicity Campaign

Besides print media, advertisements on TV / Radio on benefits of scientific storage and NWRs for the farmers may also be carried out so that the message reaches more people (especially farmers).

9.22. Warehousing policies by the States

It is recommended by the Committee that all the State Governments should announce their warehousing policies to promote private warehousing in their States. To promote accreditation and registration with WDRA, the cost could be partially reimbursed by the State Government as has been done in Madhya Pradesh.

9.23. Procurement of foodgrains by FCI through NWRs

It is recommended that procurement through NWR may be undertaken by FCI on a pilot basis in a few district of the country to determine the benefits for farmers, warehousemen, procuring agencies, the Government and other stakeholders.

9.24. Warehouses to be declared as Mandis

It is recommended by the Committee that the Government of India may pursue the matter with all the State Governments for declaring registered warehouses to be notified as Mandis under the relevant APMC Act.

9.25. Simplification of land use conversion

It is recommended that:

- i. The State Governments, at Planning Stage in urban areas should earmark the land for construction of warehouses / cold storages.

- ii. The procedure of conversion of land use for warehousing sector should be simplified. Since, warehousing is an extension of agricultural operations, land for construction of warehousing infrastructure meant for agriculture purpose should be exempted from requirement of permission for conversion of land use.

9.26. Continuation on Gramin Bhandaran Yojana

To create storage capacity in private sector, subsidy under Gramin Bhandaran Yojana of Department of Agriculture and Cooperation should be continued during the 12th Plan period. The following steps may be taken by Department of Agriculture and Cooperation to integrate this scheme with NWR system:

- a. The structural specifications of the godowns and other requirements of WDRA may be included in the Joint Inspection Proforma of the DMI and other information like insurance and manpower requirements may be collected by the Joint Inspection Team and on the basis of these information, accreditation certificate may be issued by the DMI which is also an accreditation agency of the WDRA.
- b. The Department of Agriculture and Cooperation may reimburse the full accreditation fee of the warehouses constructed under GBY which seek registration with the WDRA and intend to issue NWRs. In case of DMI no reimbursement may be required being part of the Joint Inspection Team by the GBY.
- c. The cost of the equipment for quality testing required in the godowns / warehouses constructed under GBY should also be subsidised separately by the Department of Agriculture and Cooperation.
- d. Exploring the possibility of creation of Credit Guarantee Fund on the lines available to FPOs through SFAC to provide financial comforts to the banks.
- e. Directorate of Marketing and Inspection (DMI), the implementing agency of GBY under the Department of Agriculture and Cooperation should be strengthened.

9.27. Registration Norms for warehouses of the Farmer Producer Organisations (FPOs) and the APMCs

The norms for registration of the warehouses operated by the Farmer Producer Organisations (FPOs) and the APMCs should be at par with the norms of PACS godowns because of their size and proximity to the farmers.

9.28. RIDF / WIF scheme for granting loan for creation of warehouses and cold storages

The Committee recommends that loans for construction of warehouses and cold storages for agricultural and horticultural commodities under the Rural Infrastructure Development Fund / Warehousing Infrastructure Fund (RIDF / WIF) scheme should continue.

9.29. Cooperatives to create more warehousing capacity

The Cooperatives should be strengthened and encouraged to create warehousing capacity and generate awareness amongst the farmers about the benefits of storing their produce against the NWRs. This will ensure better price to the farmers as the cooperatives work nearer to the farmers. Under the WIF, NABARD has sanctioned several projects in Tamilnadu, Odisha and Gujarat for setting up of warehouses so as to provide the nearest source of scientific warehousing facilities to the farmers.

9.30. Exemption of commodities stored in registered warehouses from stock limits under the EC Act, 1955

The Ministry of Consumer Affairs, Food and Public Distribution, has exempted the stock limits of commodities under the EC Act, 1955 kept in regulated warehouses (registered by the WDRA) for future markets subject to the condition that these warehouses published the information of stock available with them on real time basis. It is recommended that this exemption of stock limits of commodities under EC Act, 1955 should be applicable to all the registered warehouses with the WDRA.

9.31. Suggestions to improve income of warehouses

To improve economic viability of warehouses, the following measures can be undertaken:

i. Installation of Solar Panels on the rooftop of warehouses

The vast area of flat rooftops of the warehouses may be utilized for installing solar photovoltaic panels to generate electricity. The system generates energy even in low light (overcast / cloudy) conditions with zero CO2 emissions.

Suitable policy should be evolved by MNRE and State Governments to suit the requirement of warehouses. The advisory may be sent to MNRE and State Governments by the Department of Food and Public Distribution.

ii. Pest control services to small warehouses and other customers.

The bigger warehouses having trained manpower, equipment and pesticides for preservation of agricultural produce in their warehouses may provide these services to small warehouses who are not having such facilities. This hand holding support by the bigger warehouses to smaller warehouses will generate income as well as help the small warehouses in preserving their foodgrains and other agricultural commodities.

iii. ATMs and branches of Banks may also be set up in the warehouse premises wherever feasible.

9.32. Transformation Plan of WDRA

The National Institute of Public Finance and Policy (NIPFP) has prepared a Transformation Plan of WDRA to provide a fillip to warehouse financing, to promote modern, scientific warehousing in India and to bring a greater number of warehouses under the WDRA's regulatory umbrella. The Committee recommends that it should be implemented at the earliest.

9.33. Warehousing Directory and assessment of warehousing gap in the country

The NABCONS should expedite the work of preparation of warehousing directory and study on assessment of warehousing gap in the country.

9.34. Some of the issues which are not directly connected with the term of references of the Committee but relevant to the success of negotiable warehouse receipt system, have been touched upon in the report. New groups may be formed to give detailed recommendations on these issues:

- (i) PV solar panel on rooftops of warehouses.
- (ii) Review of policy for crop loan so that it can work in conjunction with pledge financing of NWR.
- (iii) Credit Guarantee Fund and Indemnity Fund relating to NWR.
- (iv) Reforms in APMC
- (v) Free movement of foodgrains across State / District boundaries.

CHAPTER X

10. Recommendations for early implementation

10.1 Some of the Recommendations which can be implemented early are given below for immediate action:

Paras 9.3, 9.4, 9.6, 9.7, 9.11, 9.13, 9.15, 9.16, 9.17, 9.18, 9.19, 9.20, 9.21, 9.27, 9.30 and 9.32 of the Report of the Committee.

10.2 Besides, the above recommendations, following short term measures need to be taken up for popularizing the NWR system in the country:

- i. The procedure of accreditation and registration of warehouses needs to be simplified. Minimum documents should be required for accreditation and registration.
- ii. The word “owner” should be removed from Rule 13 (3) of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010.
- iii. The procedure of renewal of registration needs to be simplified. Registration period can be six years instead of three years.
- iv. The Rule 5 and Rule 6 of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 which require registration fee through Demand Draft of Nationalized Banks require amendments. The DD of all the Banks, electronic transfer of registration fee should be included in the revised rules.
- v. Separate regulations for registration of Warehouse Service Providers (WSPs).
- vi. The requirement of insurance policies on the basis of 100% occupancy of the warehouses needs to be reviewed and these norms should be simplified. .

References:

1. Report of the Working Group on Warehouse Receipts & Commodity Futures, Published by Department of Banking Operations and Development, Reserve Bank of India, Mumbai. April 2005
2. Report of the Working Group on Warehousing Development and Regulation for the Twelfth Plan Period (2012-17), Planning Commission, Government of India, October 2011.
3. Report of the Working Group on Agricultural Marketing Infrastructure, Secondary Agriculture and Policy required for Internal and External Trade, Agriculture Division, Planning Commission, Government of India, December 2011.
4. Report of the Committee on Encouraging Investments in Supply Chains including Provision for Cold Storages for more efficient distribution of Farm Produce, Development Policy Division, Planning Commission, Government of India, New Delhi, May 2012.
5. Report of the Working Group on Consumer Affairs, January, 2011.
6. Final Report of Committee of State Ministers, In-charge of Agricultural Marketing to Promote Reforms, Ministry of Agriculture, Department of Agriculture and Co-operation, Government of India, 22nd January 2013.

Abbreviations:

i.	ADFCs:	Agricultural Development Finance Companies
ii.	AMI:	Agricultural Marketing Infrastructure
iii.	AMIGS:	Agricultural Marketing Infrastructure, Grading and Standardizations
iv.	APMC:	Agriculture Produce Market Committee
v.	CAIT:	Confederation of All India Traders
vi.	CAP:	Cover and Plinth
vii.	CWC:	Central Warehousing Corporation
viii.	DAC:	Department of Agriculture and Cooperation
ix.	DCP:	Decentralized Procuring States
x.	DEA:	Department of Economic Affairs
xi.	DFSs:	Department of Financial Services
xii.	DMI:	Directorate of Marketing and Inspection
xiii.	ECBs:	External Commercial Borrowings
xiv.	EC Act:	Essential Commodities Act, 1955
xv.	EWR:	Electronic Warehouse Receipt
xvi.	FCI:	Food corporation of India
xvii.	FICCI:	Federation of Indian Chamber of Commerce and Industry
xviii.	FMC:	Forward Markets Commission
xix.	FPOs:	Farmer Producer Organisations
xx.	GBY:	Gramin Bhandaran Yojana
xxi.	HLC:	High Level Committee (FCI)
xxii.	IBA:	Indian Banks' Association
xxiii.	ICAR:	Indian Council of Agricultural Research
xxiv.	ICMs:	Institute of Cooperative Management
xxv.	IFC:	International Finance Corporation
xxvi.	IGMRI:	Indian Grain Storage Management and Research Institute
xxvii.	IASRI:	Indian Agricultural Statistical Research Institute
xxviii.	KCC:	Kisan Credit Card
xxix.	MoFPI:	Ministry of Food Processing Industries
xxx.	MSP:	Minimum Support Price
xxxi.	MT:	Metric Tonne
xxxii.	MNRE:	Ministry of New and Renewable Energy
xxxiii.	NABARD:	National Bank for Agriculture and Rural Development
xxxiv.	NABCONS:	NABARD Consultancy Services
xxxv.	NCDC:	National Cooperative Rural Development Corporation
xxxvi.	NGOs:	Non-Governmental Organisations
xxxvii.	NHB:	National Horticulture Board
xxxviii.	NIPFP:	National Institute of Public Finance and Policy

xxxix.	NWR:	Negotiable Warehouse Receipt
xl.	PACs:	Primary Agricultural Cooperative Societies
xli.	PEG:	Private Entrepreneurs Guarantee
xlii.	PHD:	Punjab Haryana Delhi Chamber of Commerce
xliii.	PPP:	Public Private Partnership
xliv.	QC:	Quality Control
xlvi.	RBI:	Reserve Bank of India
xlvi.	RIDF:	Rural Infrastructure Development Fund
xlvi.	RRBs:	Regional Rural Banks
xlvi.	SCARDB:	State Cooperative Agricultural and Rural Development Banks
xlix.	SCBs:	State Cooperative Banks
l.	SEBI:	Securities and Exchange Board of India
li.	SFAC:	Small Farmers' Agri-Business Consortium
lii.	SFCs:	State Financial Corporations
liii.	SHGs:	Self Help Groups
liv.	SWC:	State Warehousing Corporation
lv.	SECI:	Solar Energy Corporation of India
lvi.	TPDS:	Targeted Public Distribution System
lvii.	VGf:	Viability Gap Funding
lviii.	WDRA:	Warehousing Development and Regulatory Authority
lix.	WIF:	Warehousing Infrastructure Fund