

**Aims, Objectives, & Overview of
The Warehousing (Development and Regulation)
Act, 2007,
Including initiatives of WDRA**

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Objects and Reasons of Warehousing (Development & Regulation) Act, 2007

- Various Committees and Groups, such as, those appointed by the Reserve Bank of India in 1954 and 2005, the Ministry of Agriculture in 2001 and the World Bank in 2000 had recommended, inter alia, introduction of a negotiable receipt (NWR) system to facilitate institutional credit to farmers.
- The law that was enacted in 2007 in the form of the Warehousing (Development & Regulation) Act had taken into consideration that-
 - ✓ Warehousing receipts issued by the warehouses did not enjoy fiduciary trust of depositors and banks.
 - ✓ There was a fear that it was not possible to recover the loans in case of fraud, mismanagement, etc. by the warehousemen or insolvency of the depositor.
 - ✓ Available legal remedies were also time consuming and inadequate.

Objects and Reasons of Warehousing (Development & Regulation) Act, 2007 (cont.....)

- ✓ Format of warehouse receipts issued by various warehouses was not uniform.
- ✓ There were considerable impediments in negotiability of warehouse receipts creating difficulties to farmers and other depositors of goods.
- It was intended to make warehouse receipts a prime tool of trade, facilitate finance against it throughout the country and increase liquidity in rural areas.
- It was also intended for banks to improve the quality of their lending portfolio and enhance their interest in lending in respect of goods deposited in warehouse.

Negotiability of Warehouse Receipts

The Warehousing (Development & Regulation) Act, 2007 : -

- introduces NWR system to improve fiduciary trust of banks and depositors against fraud/ mismanagement.
- intends to improve the lending portfolio of Banks and liquidity in rural areas.
- establishes a Warehousing Development and Regulatory Authority (WDRA).
- makes it mandatory for warehouses to register with WDRA for issuance of NWRs.
- provides for appointment of independent accredited agencies for accreditation of warehouses meeting norms specified by WDRA.
- defines liabilities of warehousemen and prescribes statutory mechanism for enforcement of rights and obligations of the warehousemen and depositors.
- provides for penalties and compensation against default/negligence/offence by warehouses.
- empowers WDRA to make complaints for cognizance of offences by Courts, etc.

Accreditation and Registration of warehouses

- Only a warehouse registered with WDRA can issue negotiable warehouse receipts.
- The process involves accreditation before registration with WDRA.
- WDRA follows a rigorous process of scrutiny before registering a warehouse
- The warehouse should apply to an accreditation agency of its choice for issuance of an accreditation certificate.
- WDRA has appointed 16 accreditation agencies (9 in government sector and 7 in private sector) for the purpose.
- The warehouse should:
 - ✓ be constructed as per BIS/FCI/NABARD/CWC specifications.
 - ✓ be storage-worthy with fool proof security agreements.
 - ✓ have adequate trained staff with expertise and knowledge for the scientific storage of goods.
 - ✓ have requisite equipment for weighing and quality measures.

Accreditation and Registration of warehouses (cont....)

- ✓ have insurance cover for building and stock against fire, flood, theft, burglary, misappropriation, riots, strikes and terrorism.
- ✓ Have positive net worth certified by a Chartered Accountant or creditworthiness certificate from a scheduled bank for individual warehouse or for its organisation.
- 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 Rs.1.00 per MT respectively with a minimum amount of Rs.7500/-.
- A similar amount has been prescribed for the security deposit.

Status of Registration

- The WDRA has notified 115 agricultural commodities including cereals, pulses, oil seeds, spices, dry fruits, tea, coffee and rubber etc. as per standards prescribed by Agmark, or other approved grading agencies for issuance of NWRs.
- Besides, 26 horticultural commodities have also been notified for issuance of NWRs by cold storages .
- 554 applications from different States for registration of warehouses received .
- 402 warehouses have been accredited and 365 warehouses with 15.51 Lakh MTs of the CWC, SWCs, PACSs and private organisations have been registered with WDRA.
- Of the 365 warehouses, 160 belong to CWC, 115 to SWC, 47 to private and 43 to Primary Cooperative Societies.
- State-wise, 76 are located in AP, 62 in Tamil Nadu, 52 in Rajasthan, 39 in MP, 36 in Maharashtra, 25 in UP, 15 in Haryana, 15 in Karnataka, 13 in Punjab, 12 in Kerala and small numbers in Gujarat, Assam, Chhattisgarh, Himachal Pradesh, Odisha and Puducherry.
- Since 26th April, 2011, over 19,600 NWRs for a value of Rs 2169 crores have been issued for paddy, maize, turmeric, pulses, gram, rubber, basmati rice, soybean, barley, cotton, etc.
- Of these, around 30% NWRs have been financed by different banks and financial institutions including co-operative banks.

Integration of Primary Co-operative Societies with NWR

- In order to help farmers to avail themselves of this financial benefit, the WDRA has simplified the process of registration of warehouses belonging to Primary Cooperative Societies (PCS) in close proximity to the farmers.
- The WDRA has approved less stringent norms for the accreditation of warehouses belonging to PCSs and also rationalised the fee structure by removing the minimum amount of Rs.7500/- for both registration and security deposit.
- A good beginning has been made with initial registration of 35 warehouses of Primary Agriculture Cooperative Societies in Andhra Pradesh and Tamil Nadu
- NABARD has set a target of registration of 10,000 warehouses belonging to PCSs in rural areas during 2013-14 with State-wise break-up.

Introduction of NWR system in cold storages

- The WDRA in consultation with National Horticulture Mission (NHM) and National Horticulture Board (NHB) has introduced the NWR system in cold storages so that the growers/farmers producing horticulture produce may store these commodities in cold storages and may avail the benefits of loan on NWRs issued by the registered cold storages.
- 26 Perishable horticulture commodities such as Potato, Dehydrated Onion, Garlic, Ginger, Turmeric, Apple and Resins etc. have been notified.

Regional Conferences and Training & Awareness programmes for farmers

- In order to create awareness about the negotiable warehouse receipt system in the country Regional conferences in association with FICCI, ASSOCHAM, PHD Chamber, CAIT and CII have been organised by the WDRA at New Delhi, Bangalore, Thiruvananthapuram, Chandigarh, Mumbai, Bhopal, Nagpur, Ahmedabad, Lucknow and Chennai
- Nine training programmes (each of 5 day duration) for the warehouse managers of the CWC, SWCs and private warehouses have been organised.
- Awareness programmes for farmers, with registered warehouse as a nodal point for training, are being organised in different States of the country in collaboration with CWC, IGMRI, NHB, NCDC, NIAM, NABCONS and Cooperative Management Institutes.

Extension of Crop Loan Scheme to Post-Harvest loan and Infrastructure status to Warehousing

- From 2011-12, the Government of India has extended the benefit of interest subvention to small and marginal farmers having Kisan Credit Cards (KCCs) for a further period of upto 6 (six) months for post-harvest storage **at the same rate as available to crop loans** against NWRs issued by warehouses registered with WDRA.
- On the persuasion of the Authority, directly and through Planning Commission, the Ministry of Finance has accord full-fledged infrastructure status to the warehousing sector and cold chain.

Negotiability and Integrity of Warehouse Receipts

- Warehouse receipt means an acknowledgement in writing or in electronic form issued by a warehouseman or his duly authorised representative (including depository)
- Therefore the receipts can be written / printed on paper or in the demat form.
- WDRA has introduced a uniform format of negotiable warehouse receipts in consultation with the Indian Banks' Association and other stakeholders.
- NWRs have unique features, such as, anti copy, endless text, fine line pattern, micro printing with rainbow colouring, etc.
- NWRs are printed by WDRA in Government Security Press and supplies to registered warehouses.

System established by WDRA to address concerns of Stakeholders

WDRA has established/plans to establish following system to protect integrity of NWRs:

- WDRA-approved accreditation agencies are required to make annual visits to the registered warehouses to ensure continued compliance with prescribed requirements. WDRA plans to establish an inspection system on an ongoing basis for verification/accounting of NWRs issued by registered warehouses. WDRA's rigorous process of registration and inspection will substantially mitigate the risks of duplicate/forged receipts.
- WDRA is in the process of setting up an IT-enabled MIS for issuance of NWRs, online access by banks to NWRs, online endorsement/transfer, pledge, delivery, discharge of receipts, etc. This will meet the requirement of the central electronic registry of NWRs issued by warehouses, and prevent chances of duplicate/forged receipts.

System established by WDRA to address concerns of Stakeholders (Cont.....)

- The Act makes the warehouseman liable for loss of, or injury to, goods caused by his failure to exercise such care and diligence in regard to the goods as a careful and vigilant owner of the goods and also provides for compensation to the depositor of the goods
- The Act also provides for punishment if the warehouseman knowingly issues a negotiable warehouse receipt without taking the actual physical delivery of the goods or without reasonably satisfying himself that the number, weight or grade of the goods corresponds to the number, weight or grade specified in the warehouse receipt

IT-based NWR System to Protect Stakeholders' Interests

- WDRA has initiated the process to put in place an IT platform for an end-to-end solution for the NWR system.
- The objective is to protect the integrity of the NWR system and safeguard interests of all stakeholders - farmers, depositors, pledgees, Banks/FIs, etc., and also to bring in transparency in the system.
- This system is designed to promote an environment of secured and easy financing for the farmer community of the country.
- The IT application will enable on-line registration of accreditation agencies and registration of warehouses, generation of warehouse registration certificates, printing of warehouse receipts, user-defined MIS and reply to queries.
- The online system also would cover the entire NWR lifecycle – from issuance to disposal - and contain all information regarding underlying assets and clearly establish ownership of the NWR at all times.
- The receipts would be issued only from a computerized system with a unique number even when there is lack of on-line connectivity.

IT-based NWR System to Protect Stakeholders' Interests- Cont..

- All mandatory fields have to be filled in and no information can be omitted.
- The MIS disables multiple printing of NWR and all duplicate prints are clearly watermarked as “duplicate”.
- The real-time validation of the information contained in the NWR (owner, quantity, quality, etc.) ensures that any forged/fraudulent receipts are not presented to Banks as collateral.
- It will enable online access by Banks to NWRs, online pledge, delivery and discharge of receipts, system generated SMSs to stakeholders.
- This system thus provides features similar to CERSAI* database so as to ensure that multiple pledges are not possible for one NWR at any time.
- Once an NWR is pledged by a Bank, no further transactions on NWR are allowed by the MIS till the NWR is de-pledged by the Bank. This ensures that the collateral for the loans is safe against multiple pledge or fraudulent sale.

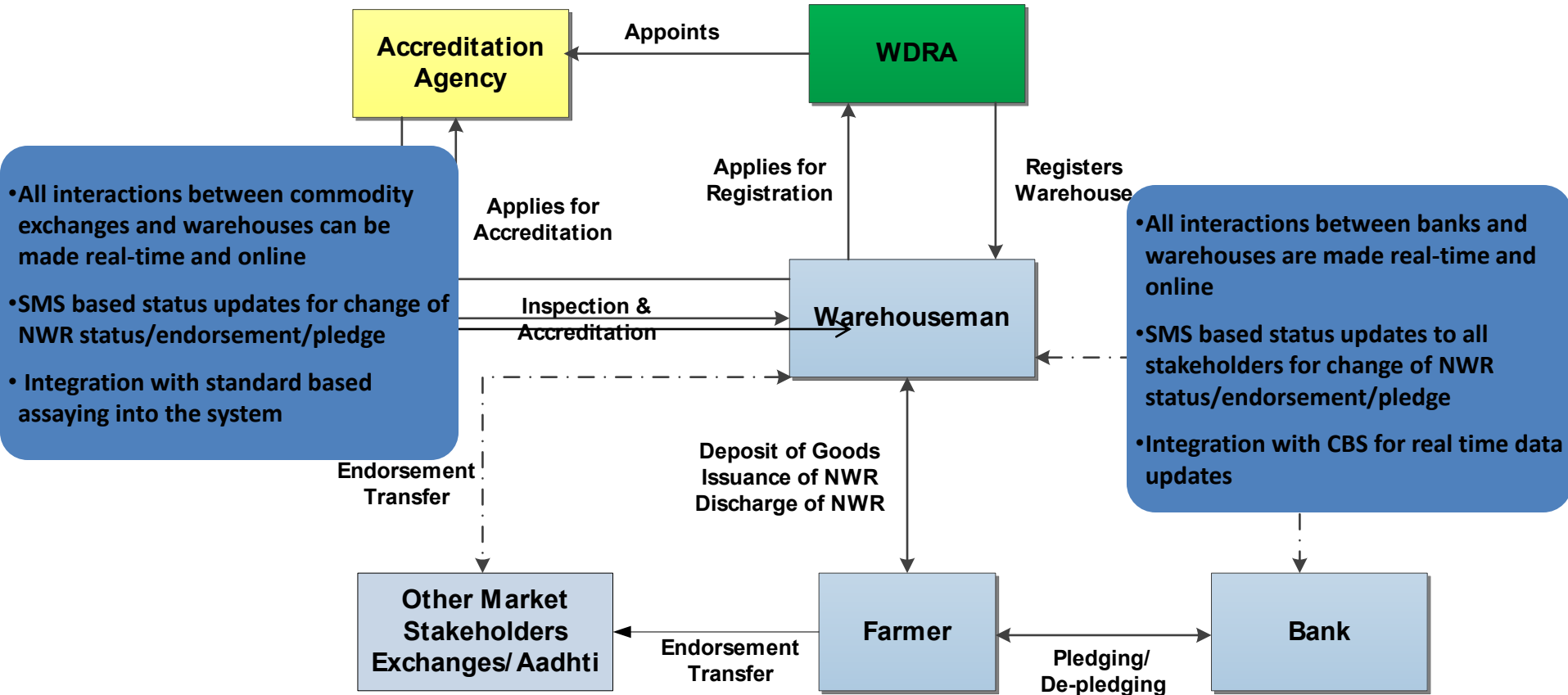
*Central Electronic Registry of Securitisation Asset Reconstruction and Security Interest of India

IT-based NWR system to protect all stake-holder's interest (cont'd...)

- SMS based updates regarding the shelf life of goods and any deterioration in quality shall be provided to the concerned Bank manager so that suitable action could be initiated by the Banker to protect the Bank's interest.
- The proposed system would in essence make each registered warehouse responsible for the quality assaying, scientific storage, and prevention of losses – thus making the NWRs issued by such warehouses a commercial paper of trust among the banking and financial community.
- Additionally, WDRA would ensure safeguard against any fraudulent NWR and provide greater comforts to banks through:
 - ✓ regulatory oversight accompanied with the robust system and stringent guidelines for accreditation/registration,
 - ✓ mandatory insurance of the warehouse and goods against natural and man-made calamities including misappropriation,
 - ✓ ongoing system for physical inspection of stored commodities, and
 - ✓ legal provisions under the Act.

Target End State

The proposed system coverage and features



Thank You