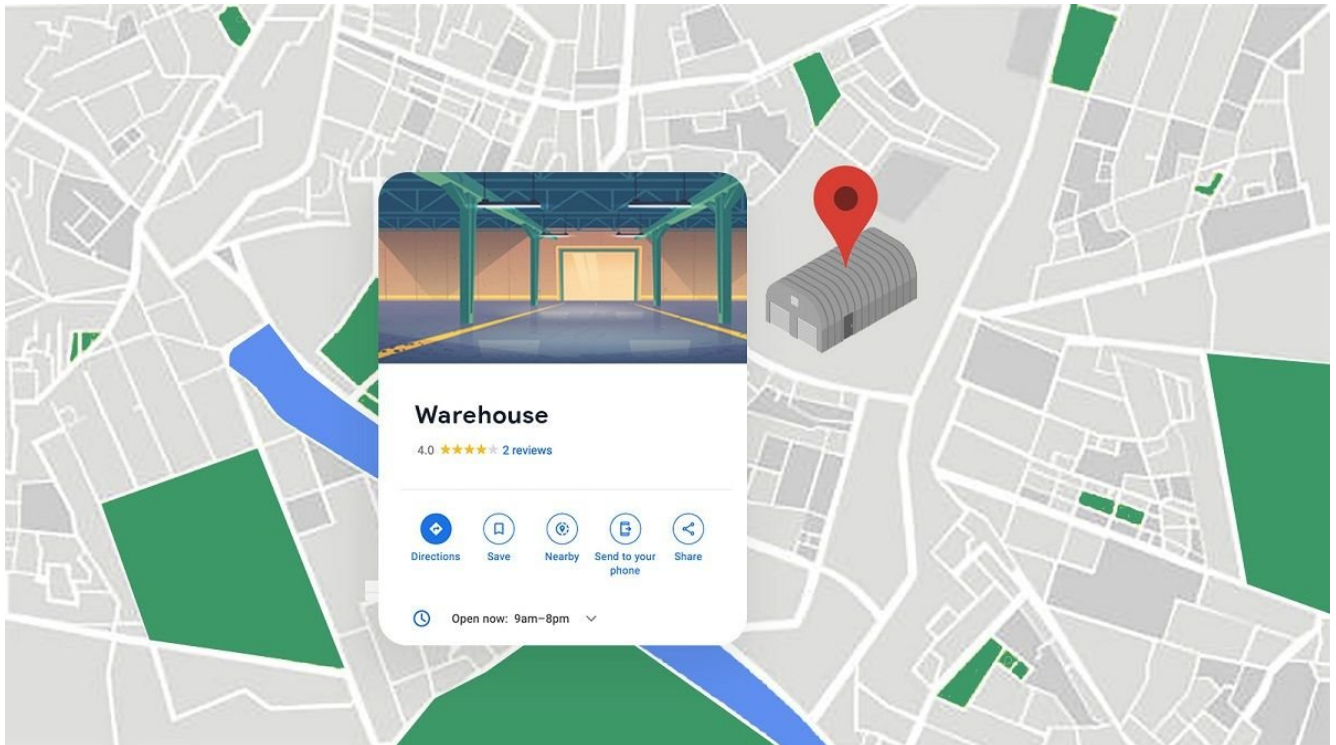


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Geotagging warehouses



In today's Finshots we talk about the government's ambitious plan to solve India's storage problem.

Policy

The Story

Indian farmers have a big problem. They grow their crops. They harvest their produce, only to then find out that storage is going to be a problem. They don't have the money to build their own infrastructure. And they can't get access to third party warehouses. And no, it's not always because there is no infrastructure. Sometimes it's because most farmers simply don't know where to

go. Meaning, even if there is a depot with a lot of empty space, they probably have no way of accessing information regarding this facility. And when they can't find storage, they are often forced to part with their produce for pennies on the block. This is true for farmers desperately seeking warehouses. It's also true for those who are looking to access cold storage units. It's a story that's all too familiar for most farmers across India.

And in a bid to alleviate some of their troubles, the government has a new ambitious plan. They want to start geotagging warehouses. Not just warehouses, but also cold storage facilities and refrigerated vans all across India. The objective of geotagging is rather simple. You survey every single storage facility in India, locate them on a map, upload the information to a central database and hopefully make this information available to every individual that has access to the database. Maybe you could map more details about these facilities. But at the end of it all, farmers should be able to access it. As the NABARD chairman, G.R. Chintala [told ThePrint](#) in an interview last year.

“The idea is that a farmer should be able to locate a warehouse or cold storage unit in the 10 km vicinity to store their produce. They can store the produce and get a warehouse receipt credit. This will help in stopping distress sale by farmers and help them get the right price for their produce.”

More importantly, this ties well into the government's plan of amending the Essential Commodities Act (ECA). For the uninitiated, the state has long aspired to keep food prices in line with the help of the ECA. This law allowed the government to moderate the supply & storage of certain essential commodities (like pulses, onions, fruits, and vegetables) by imposing stocking limits. Meaning, the government could force traders to immediately dump supplies if they were suspected of hoarding. Or

in most cases, if the government sensed prices were on the rise. And while you could argue that it did curb hoarding to a certain degree it also prevented people from investing in building storage infrastructure.

As we wrote in one of our articles [last year](#)—

Imagine you are a wholesale trader stockpiling 100 tons of tomatoes. Unbeknownst to you, the price of tomatoes starts inching upwards. There's discontent among urban consumers. Protestors start trickling in. The government is alarmed. It's desperate to halt the march of pricey tomatoes. It believes greedy agri-commodity traders are hoarding excess supplies to artificially inflate prices. So it draws a line—any wholesale trader holding more than 50 tons of tomatoes will be prosecuted if he doesn't comply with the state diktat.

The government is hoping that once you sell the excess tomatoes (beyond the stocking limit), the added supply in the market will help rein in prices. But this disincentivizes private institutions from building storage facilities since they could be asked to part with their supplies any day. One day you have a warehouse with stockpiles totalling 100 tonnes. The next, you have a half-empty facility. It doesn't make a lot of business sense.

So the government decided to dilute the ECA. And as it stands, the state cannot arbitrarily decide to impose stocking limits. Meaning, private institutions can build warehouses and they can stock any agri-commodity they want. But what if they actually do start hoarding? What if they try to artificially tip the scales of demand and supply? How are you going to penalize these people?

Well, one argument goes something [like this](#)—“If all government-owned warehouses are included in the database and farmers can access them through an app, maybe private entities will also join in on the program. And considering most of these private facilities are already geotagged, the only thing left to do is integrate them with the central database. If that happens, the government could theoretically track the real-time movement of commodities. And maybe, the government could tell if someone ought to be penalized for hoarding. Maybe.”

But as it stands, it is still only an ambitious idea on paper. If the government somehow manages to execute this thing flawlessly, maybe storage could be less of a problem in the future.

Until then...

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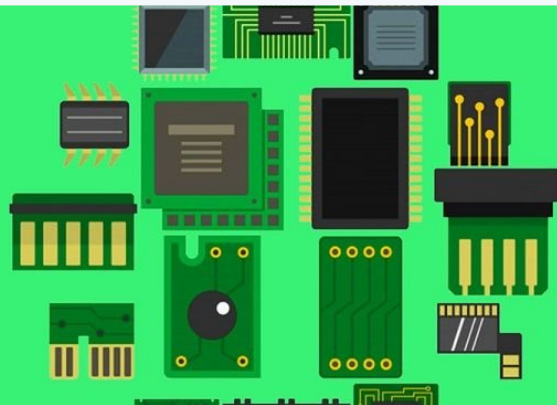


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