



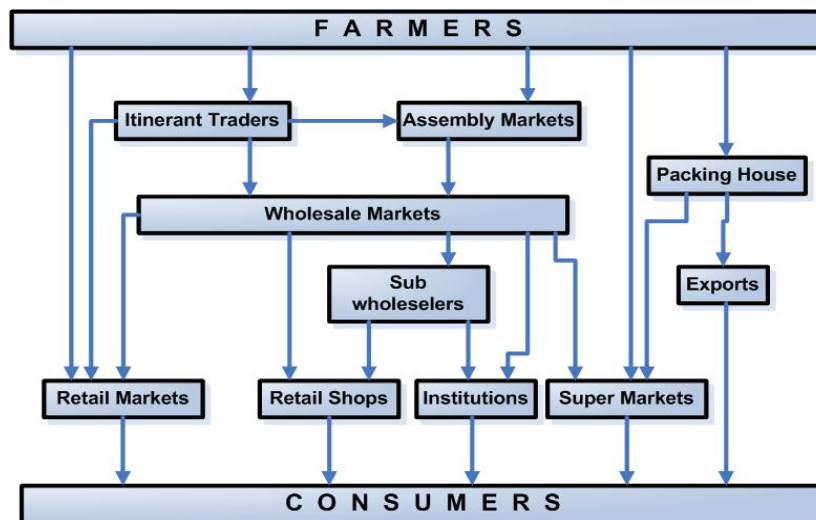
National Spot Exchange Limited



## Electronic Spot Trading: Linking Farmers to Markets using IT

Anjani Sinha  
MD and CEO  
August 11, 2007

### Current status of Agriculture Markets



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## Current status of markets in Agriculture produce



- Consequent upon green Revolution, production has increased, India has become largest producer or exporter in a number of commodities, but still farmers commit suicide
- APMC laws were created to ensure good prices for the farmers through open auction system, but on the contrary, it has created monopolistic scenario:
  - Only Government can create APMCs, private mandis not allowed
  - Only APMC license-holders can buy from farmers, end users cannot buy from the farmers directly
- Markets are designed to be regionalized and fragmented, which is against the basics of a structured market place.
- There is a need to create a national level electronic transparent spot market, which can lead to development of structured mechanism for marketing of agriculture produce.

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## NSEL - Concept



- NSEL is poised to set up a delivery based e-market (a national level electronic transparent institutionalized spot market).
- It provides a place, where farmers can sell at the best possible rate, end users can buy at the most competitive rate and NSEL would provide counter party guarantee in respect of all trades.
- NSEL would also provide services like quality certification, storage of goods and other customized value added services.
- NSEL would strengthen the future market by creating a delivery platform, which can be used by the buyers and sellers to procure / dispose off deliveries.
- After launching of NSEL, the canvass of commodity trading would be complete. India will have both spot and future market available on electronic platform with national reach.

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## Objectives of NSE



- To bring the sea change in the agricultural producers' markets through competition and application of modern technology
- To provide the farmers a national market which will provide them a facility to get better returns at the time of bumper harvesting
- To improve marketing services to the farmers
- To provide direct access to farm produce by the processors, which will promote investment in value chain
- Investment in value chain will boost demand for agricultural produce, yield higher returns to the farmers and increase market led production
- To prevent exploitation of the farmers by unscrupulous intermediaries

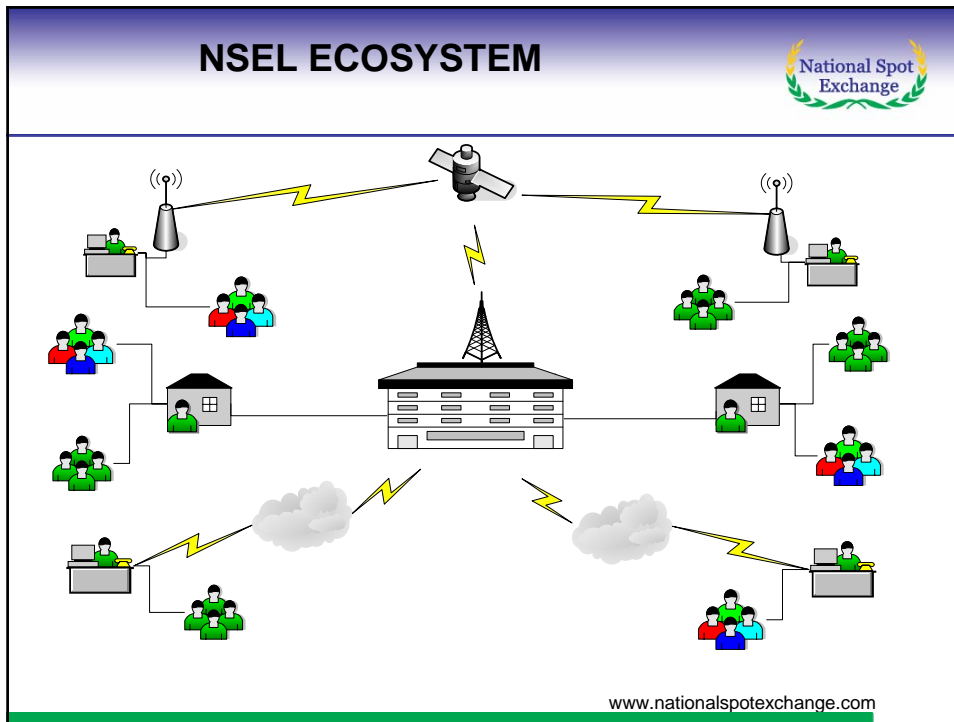
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## Online Trading



- Fully automated screen-based trading
- National reach
- Supports an order driven trading system
- Transparent, Objective and Fair system for automatic order matching
- Identity of the trader undisclosed
- Flexibility for placing orders
- Complete market information - online

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SATELL

V - SAT

USER

USERS

### Status of APMC Act in States

Andhra Pradesh	APMC Act amended
Bihar	Repealed
Gujarat	APMC Amendment Bill passed
Karnataka	APMC Act amended
Madhya Pradesh	APMC Act amended and MOU signed
Maharashtra	APMC Act amended
Orissa	APMC Act amended
Rajasthan	APMC Act amended and approval received
Uttar Pradesh	APMC Act amended

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INE

NSE

## Commodities

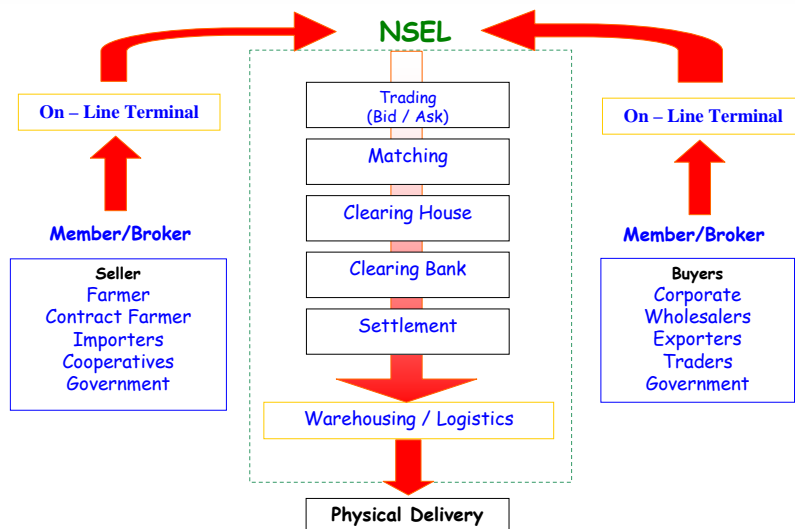


- Castor Seed at Patan delivery
- Chana at Bikaner delivery
- Cotton at Adilabad and Guntur delivery
- Groundnut at Anantpur and Sambalpur delivery
- Jeera at Unjha delivery
- Maize at Berhampur delivery
- Masur at Katni and Sagar delivery
- Moong, Tur and Urad at Cuttack delivery
- Red Chilli and Turmeric at Guntur delivery
- Soy at Devas, Indore and Ujjain delivery

Contract Specifications designing and vetting by the market

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## Trading, Clearing & Settlement at NSEL



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## National Spot Exchange Participants



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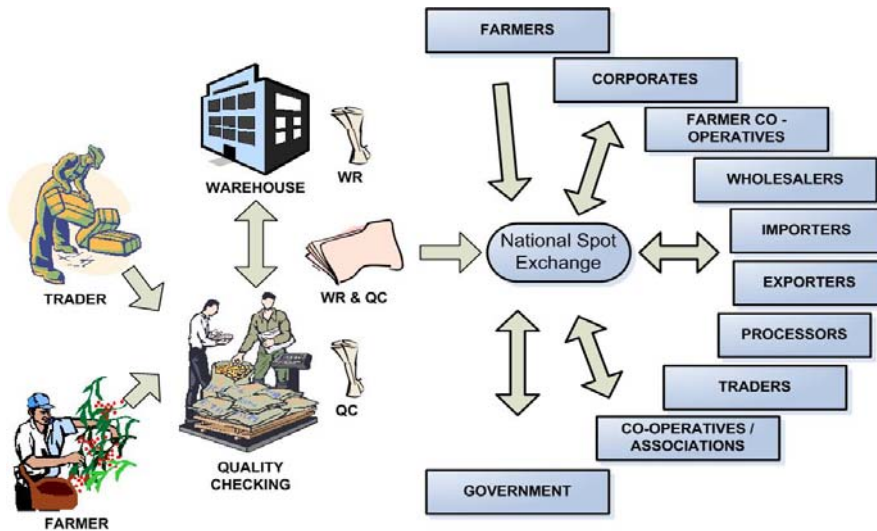
## Advantage of NSEL Platform



- Lesser Dependency on Commission Agents
- Negligible Brokerage/commission
- Desktop Monitoring
- Efficient Warehousing and logistics support
- Time Saving
- Complete end to end solution
- Guaranteed Trade with Weighment / Quality assurance
- A New distribution channel with trade guarantee
- A complementary market to derivative traders
- Timely disbursement of commodities and funds
- Transparency in transaction and settlement

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## National Spot Exchange: Advantages



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## Benefits to the farmers



- **Current prices available on real time basis**
- **Loan against warehouse receipt**
- **Increase in bargaining capacity**
- **Increase in holding capacity**
- **Access to a national level market**
- **Counter party guarantee provided by the Exchange**

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## Benefits to the farmers contd..



- It will educate the farmers about grading at the farm level and it will help market led production and consumers will be able to get the standardized quality produce
- It can help in realizing the better prices for harvested crops during off season.
- Since the end users would be connected to the NSEL trading system and the highest buy price offered by lac of buyers would be visible on the trading screen, he will get the best possible price available at that moment.

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## Advantages to State Govt. & APMCs



- **Better realization of cess, because all deliveries can be tracked. National Spot Exchange will provide a statement of all physical deliveries along with name of traders every month.**
- **It promotes economic activity in the state.**
- **Better realization for the farmers, which accelerates the pace of economic development in the state.**
- **It promotes industrial activity, processing and export due to assurance of uninterrupted supply of raw materials through National Spot Exchange.**
- **Various centers in the State emerge as important trading hubs, which generates lot of direct and indirect employment.**
- **All these objectives are achieved without any load on the exchequer – no subsidy, no grant, no tax holiday, no investment, no land allotment, no loss of revenue, no loss of APMC cess.**

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# Approval from Government of India



No. 17011/6/2006-M- II  
Government of India  
Ministry of Agriculture  
Department of Agriculture & Cooperation  
(Agricultural Marketing Division)

Krishni Bhavan, New Delhi,  
Dated: 5<sup>th</sup> June, 2007.

## Office Memorandum

### Sub: Setting up of National Spot Exchange for Agricultural Produce.

The undersigned is directed to invite reference to Department of Consumer Affairs D.O. letter No. 12/ 3/2003 – IT dated 20<sup>th</sup> April, 2006 and Department of Agriculture & Cooperation O.M. of even number dated 10<sup>th</sup> August, 2006 on the above subject and to state that the matter has been further examined with reference to their letter dated 4<sup>th</sup> May, 2007 and has also been discussed with MD and CEO of NSEAP. On examination of the matter, the following facts have been noted by this Department:-


- i. NSEAP is interested in getting registered in the States as private electronic market.
- ii. It would operate through sub-agents or brokers who would help in farmers selling their produce through NSEL platform to the buyers sitting at distant places. The deals will be closed by the evening every day and deliveries would be ensured at designated warehouse points. It would be the responsibility of the buyer to take delivery from the designated warehouse point which will be approved places by NSEAP, situated closest to the sellers concerned. Even member warehouse can also do the trading of the produce stored with them. Their negotiable receipt could also be traded.
- iii. NSEAP would be responsible for collecting market fee etc. from the buyers and paying to the concerned marketing boards. The price determined in the deal would be minus the charges of fee or tax etc. However, delivery produce from the farm gate to the designated warehouse point / delivery point will have to be met by the farmer / seller.
- iv. Licensed traders of the APMCs, who have their own kiosks in market yards can also independently operate for NSEAP.
- v. NSEAP has clarified that even though the e-trading would be done through the members, agents or sub-brokers in their system, but the levels of such intermediaries would be highly limited i.e., one or two and their brokerage or commission will be quite limited due to trading of electronic

contd....



- platform, therefore, unlike the present system of APMCs, it would be a negligible cost for the farmers selling their produce through NSEL.
- vi. As discussed with the CEO of IL&FS, Mrs. Aruna Sunderajan today, the common service centres being established under National E-Governance plan could also become a platform of marketing for the farmers through NSEL.
  - vii. NSEAP is trying to convince the Department of Consumer Affairs to get their operations approved on these lines wherein on the day of trading, some actual delivery time would be allowed for each commodity and it would be out of the purview of the trading.

In view of the above, it is understood that NSEL would be quite beneficial to the farmers in providing a limited marketing platform for their produce and due to production of a number of intermediaries, it would help in better price discovery by the farmers. Therefore, the Department of Consumer Affairs may kindly consider the proposal of NSEAP favorably and take suitable policy decisions for facilitating their operations and also to devise suitable mechanism for regulating its activities.

  
(U.K.S. Chauhan)  
Joint Secretary (Mktg) &  
Agricultural Marketing Adviser

Shri Paul Joseph  
Senior Economic Adviser  
Department of Consumer Affairs  
Shastri Bhawan, New Delhi

**Memorandum of Association**  
**between**  
**Madhya Pradesh and National Spot Exchange**



**Madhya Pradesh**  
**Agribusiness Meet**

Bhopal, May 25-26, 2007  
Linking Agriculture to Markets

**MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (MoU) is made on the 26<sup>th</sup> of May 2007 at Bhopal at the Madhya Pradesh Agri Business Meet 2007, between **National Spot Exchange Limited (NSEL)**, a company incorporated under the companies Act, 1956, having its Registered Office at Boston House, 4<sup>th</sup> Floor, Suren Road, Andheri (East), Mumbai – 400 093

And

The Government of Madhya Pradesh represented by **M.P. State Agriculture Marketing Board (Mandi Board)**, (Investor) **National Spot Exchange Limited** wishes to establish an Electronic Spot Market to facilitate trading in all Agricultural and Other Commodities which can be accessed by all participants throughout the country through computer systems, at various centres in the State of Madhya Pradesh and intends to commence activities by September 1, 2007 with an estimated direct investment of **Rs. 50 Crores** (Rupees fifty Crores only) and indirect investment of **Rs. 200 crores** (Rupees two hundred crores only) by private entrepreneurs in warehousing, members' trading terminal, VSAT and leased line network, testing laboratories and other peripheral activities.

In order to enable **NSEL** to implement the above projects, GoMP's representative agency would facilitate **NSEL** to obtain necessary permissions / registrations from concerned department of the State and Central Government and would also

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**Contd.**



help to avail incentives under various schemes announced by the State/Central Government, wherever applicable.

This MoU is made to facilitate **National Spot Exchange Limited** for establishment of the aforesaid projects in Madhya Pradesh.

For and on behalf of  
Government of Madhya Pradesh

For and on behalf of  
National Spot Exchange Limited

(Authorized Signatory)  
Name : Mr M A Khan  
Designation: Commissioner Mandies  
& Managing Director  
Department : M.P. State Agri. Marketing Board.

(Authorized Signatory)  
Name : Anjani Sinha  
Designation : Managing Director & CEO

**Thank you.**

**National Spot Exchange Limited**

4th Floor, Boston House,  
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Mumbai - 400093.

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