

National Platform for e-Auction of Dairy Commodities

I. The issue

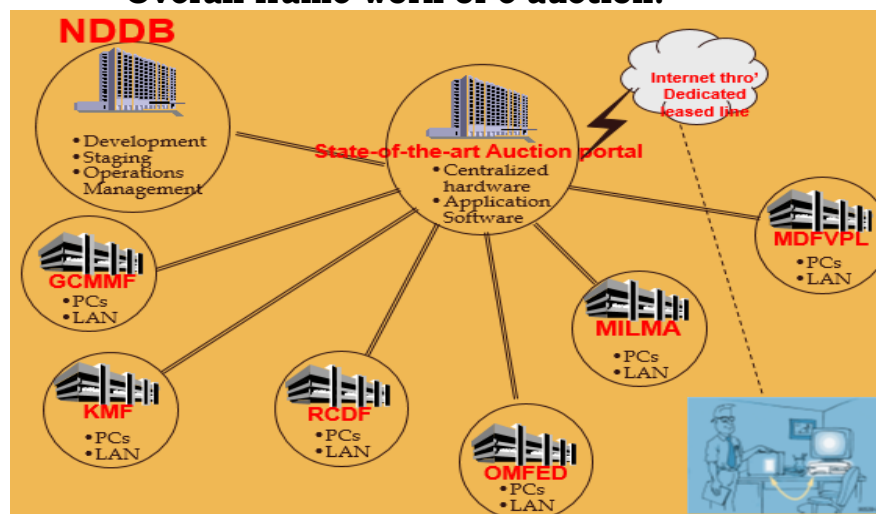
Presently, the cooperatives are mainly sourcing dairy commodities through tendering process which could extend to about sixty days cycle starting from floating a tender ----> purchasing tender document ----> submission of tendering bid ----> opening of bids ----> placing order on lowest bidder ----> actual receipt of goods. During interim period, prices may change drastically. SMP which was quoted at ₹ 310 a kg in mid-July'14 declined to ₹ 225 a kg by mid-Oct'14. Hence, there is an urgent need to develop an alternative market mechanism.

II. e-AUCTION as a solution

It is proposed to devise an e-Auction system to facilitate all cooperatives to trade dairy commodities through a simple, transparent and user friendly computerised online platform. It would be a single window system of marketing and distribution of dairy commodities.

III. Modus operandi

Overall frame-work of e-auction:



Crude analogy = Railway ticket booking.

e-AUCTION registration for buyer / seller: Only registered trader i.e. Federation or Union (no agent / broker) ----> PAN/VAT/ 3 year ITR documents ----> BOD resolution ----> Registration fee & EMD ----> EMD decides bidding limits ----> unique login, password and photo-ID.

e-AUCTION notification:

- Hold one e-auction per fortnight with seven days advance notice on website. All quotes in e-auction would be on FOR-sellers plant and exclusive of statutory levies, transportation charges, taxes, cess and other charges as applicable at the time of delivery.
- Seller to intimate (upload) quantity, quality and reserve price to the auctioneer in prescribed format.

- Auctioneer fixes date and time of auction and post on website as well as send e-mails to registered traders. The date, time and period of e-Auction as notified in advance including closing time on portal of service provider shall be adhered to but for the event of force majeure.

e-AUCTION process:

- Physical inspection of material by registered buyers using photo-ID.
- Seller post reserve price and auction quantity on platform.
- E-auction starts with registered trader quote their bid price per tonne in ₹. This price has to be equal to or above the reserve price. The bidder can offer his bid price in the increment of ₹1000/- during the entire e-Auction period. The system will not allow a Bidder to Bid in excess of his entitled quantity as per his EMD.
- While maintaining the secrecy of Bidder's identity, the website shall register and display on screen the lowest successful Bid price at that point of time. However once a Bidder is out-bided by another (in part or full) the particular Bidder shall become eligible for making an improved Bid.
- At the end of the e-auction round, there would be automatic computerised matching of "offered bids" "reserve prices" and "seller's specific terms and conditions". If bids are higher than reserve price, the system will automatically accord pre-decided quantities to the highest bid price in the descending order (H1, H2, H3 and so on) as long as the offered quantity is available for allocation.

Post e-Auction process:

- After the closure of e-auction, the auctioneer will Sales Contract mentioning: i) the detail of auction; ii) winning quantity; iii) winning price; iv) total value and v) last date of payment to each successful bidder through e-mail / SMS on the same date.
- The successful bidders will be required to deposit value in the designated bank account of seller within last date of payment (i.e. period of twelve working days for NSTD contract). If the bidder does not pay the EMD, he would be de-barred and fresh e-auction would take place for said quantity.
- Auctioneer would block equivalent amount of EMD of successful bidder and transfer it to the seller.

Refund of EMD for unsuccessful bidders:-

In case of unsuccessful bidders, EMD shall be refunded by the auctioneer against request and in case of no request, EMD would be retained for participation in e-Auction in future.

IV. Why e-auction:

It is prompt ---->transparent ----> competitive ---->wider coverage ---
 →eliminate cartel ----> low lead time----> less paper-work ---->
 computerised matching ---->can withstand audit trials ----> standardised
 contract ----> uniform lot size ----> website access from anywhere ---->
 un-interrupted supply.