CHAPTER - VI

SUMMARY OF CONCLUSIONS AND SUGGESTIONS

6.1 SUMMARY OF CONCLUSIONS

6.1.1 Warehousing facilities are necessary to prevent the loss arising out of defective storage and also to equip the farmers with a convenient instrument of credit. The concept of public warehousing is a recent development in India though the Royal Commission on Agriculture in 1928 had stressed the need of warehousing in India. The Agricultural Finance Sub-committee of 1945 also pointed out the need of it. The Rural Banking Enquiry Committee of 1950 also emphasized the importance of warehousing. Despite these reports, no tangible progress was achieved till 1950. Report of the All-India Rural Credit Survey Committee (1954) finally provided an impetus to the system of public warehousing. The Committee recommended multi-tier system having organic links with the Central Warehousing Corporation as the kingpin organisation at the apex. On the basis of the recommendations, the Government of India passed Agricultural Produce (Development and Warehousing) Corporation Act, 1956, which was lateron replaced by Warehousing Corporation Act, 1962 and thus established Central Warehousing Corporation (CWC) at the national level and State Warehousing Corporations (SWCs) at the state level. The CWC has done a tremendous progress in setting up a large

number of warehouses throughout India. Operations of the CWC hiked from 7 centres with a capacity of 7,000 tonnes in 1957 to 445 centres with a capacity of 60,38,938 tonnes by 1987. At present 16 SWCs are functioning in the country. During 1987-88, the number of warehouses managed by the SWCs was 1,306 and the total storage capacity was 90.60 lakh tonnes. The role, scope, functions and management of the SWCs are by and large, the same as prescribed for the CWC.

6.1.2 Among the 16 SWCs established in the country by different state governments with support of the CWC, the Punjab State Warehousing Corporation commands the highest storage capacity (20,52 lakh tonnes) with 119 warehousing centres. The matchlessly larger storage capacity in the state is the outcome of the green revolution there. Next to the Punjab is the case of Uttar Pradesh which provides storage capacity of 12.73 lakh tonnes in 127 centres. This too is largely due to the result of the state. Maharashtra's case stands in contrast with t6he Punjab. Eventhough both the states have the same number of storage centres, Maharashtra's storage capacity is about 40 percent that of the Punjab. Haryana, another green revolution state, follows Utter Pradesh in both respects. Remaining states are at low ebb. In short, the green revolution belt is better served by state warehousing facility in respect of number of centres as also storage capacity.

6.1.3 In Maharashtra, scientific storage activity could find roots only since 1957 when the Bombay State Warehousing Corporation came into existence, though the Agricultural Produce Market Committees and Marketing Co-operatives had already made a modest beginning. In Maharashtra, the 'Bombay Warehouses Act, 1959' provides for encouragement, establishment and regulation of independent warehouses. But the major burden of providing warehousing facility is borne by the Maharashtra State Warehousing Corporation (MSWC) itself. Besides the MSWC, even the CWC has established its godowns at important places in the state. At the same time, the Co-operative Societies and Agricultural Produce Market Committees (APMCs) in the state are also providing storage facility.

6.1.4 The erstwhile Bombay Government established the Bombay State Warehousing Corporation on 8th August, 1957, as per the provisions of the Agricultural Produce (Development and Warehousing). Corporation Act, 1956. On reorganisation of the bilingual Bombay State and thereby with the formation of Maharashtra State on 1st May, 1960, the Corporation was renamed as the Maharashtra State Warehousing Corporation on 30th September 1960. The share capital of the Corporation is subscribed equally by the CWC and the state government. The initial authorised share capital of the MSWC in the beginning was Rs.2 crores which has been raised from time to time to reach finally to Rs.6.6 crores in 1985-86. The hike applied

to all the SWCs in the country and hence ipso facto the MSWC was not an exception. During the initial decade, i.e., from 1962-63 to 1971-72, the paid-up capital of the MSWC increased by 68.63 percent, in the second decade, i.e., from 1972-73 to 1981-82, it increased by 251.16 percent and in the last phase of 7 years it went up by 68.21 percent. On the whole, the paid-up capital hiked by almost ten times over the entire period from 1962-63 to 1988-89, which is indeed encouraging. Besides the share capital, the Corporation can also raise funds through borrowings from the nationalised banks, CWC, NABARD, etc. The Annual Report of the Corporation for the year 1988-89 reveals that, as on 31st March 1989, the MSWC had the outstanding loan of Rs.11.27 crores with the institutional break-up as follows : CWC - Rs.2.25 lakhs, State Bank of India - Rs.1.85 crores and nationalised and co-operative banks - Rs.9.40 crores.

6.1.5 During 1958-59, the Corporation was having 3 warehouses at 3 centres with a storage capacity of 950 Metric Tonnes. During 1988-89 the number of warehousing centres rose to 119 and the total capacity reached to 7.316 lakh MT, which marks 76,910 percent increase over the base year. The overall progress is indeed phenomenal. Average storage capacity per centre also marked a tremendous hike from 316.70 MT in 1958-59 to 6,147.90 MT in 1988-89, registering an increase of 1,841 percent.

6.1.6 The Corporation makes no discrimination between depositors desiring to avail of the facilities of scientific storage, though the emphasis is on extending maximum benefit to the primary producers. For developing continuous linkage, the Corporation also provides storage facility to the Civil Supplies Department for the storage of government foodgrains; so also the Agricultural Department for the storage of fertilisers and inputs. The Rashtriya Chemicals and Fertilisers Corporation, Government of Maharashtra, Government of India, Food Corporation of India, Cotton Corporation of India, State Trading Corporation, State Marketing Federation, National Co-operative Consumers' Federation Ltd., National Agricultural Co-operative Marketing Federation of India Ltd., etc., have entrusted the work of storage. In order not to solely depend on the patronage of government and governmental institutions, the Corporation has sought new business from industries in the private as well as Co-operative Sectors. The commodities stored by the abovesaid agencies are mainly fertilisers, foodgrains, pesticides, seeds and cotton bales.

6.1.7 The utilisation of storage capacity is not steady. The year-to-year fluctuations in the proportion of capacity utilisation are often of larger magnitude. Excluding the initial year, in rest of the years since 1959-60 to 1988-89, the percentage of capacity utilisation has moved in the range

of 51 to 98, with the exception of 1960-61, 1975-76 and 1986-87 when it marginally exceeded 100 percent. Furthermore, over the time span of 31 years under reference utilisation below 70 percent was only thrice. Hence, overall utilisation is mostly above 70 percent and generally between 71 and 90 percent. The modal value of capacity utilisation, estimated from frequency distribution by class intervals of 10, is 83 percent. Though this performance can be considered as not bad, every effort needs to be done to be within the range of 90-100 percent as far as possible. Careful examination of the causes of fluctuations for some years, focus the floodlight on the fact that storage capacity utilisation of the MSWC rests largely on the government policy, Reserve Bank of India's credit policy, monsoon conditions, market prices of agricultural produce and policy of public undertakings.

6.1.8 The warehousing facility of the MSWC is being used primarily by the public undertakings which together command more than half of the proportion utilised. All the other users together stand lower than the public undertakings. Among them apex - co-operatives stand second best. Government support is now near extinction, whereas the traders and primary producers almost balance each other by using less than 10 percent of the capacity. Private manufacturers, especially fertiliser manufacturers, exibit a ray of hope with their utilisation ranging between 10 and 15 percent.

6.1.9 Yearwise details of commoditywise capacity utilisation reveal that fertilisers dominated the capacity utilisation. Over the period of 13 years from 1976-77 to 1988-89, fertiliser storage occupied the available capacity in the range of 44 to 72 percent, giving an overall average of 57.5 percent. Next to fertilisers, comes foodgrains, though with a big margin between the two. Proportion of utilisation in this case has fluctuated widely within the range of 8 to 23 percent resulting into an overall average of 15.4 percent. Third in order is use of the godowns for storage of commodities like cement which has remained stable within a limit of 13 to 20 percent during 1978-79 to 1988-89. Average for the entire period comes to 14.6 percent. Fourth in order comes use for storage of cotton bales and seeds. In this respect, the Corporation enjoyed substantial support from the Cotton Monopoly Scheme of the state government. Finally, occasionally about 1 percent of the storage capacity was utilised for stocking pesticides.

6.1.10 The Corporation is operating three types of warehouses, viz., 'standard-rated warehouses', 'high-rated warehouses' and 'special-rated warehouses'. Generally the taluka place warehouses are called 'standard-rated warehouses' district headquarter warehouses are called 'high-rated' and the warehouses where the Corporation has to bear more expenses compared with these two types are called 'special-rated

warehouses'. The storage rates for these three types of warehouses are different. The rates of 'special-rated' are higher than remaining two and rates of 'high-rated' are higher than 'standard=rated warehouses'. This classification is done on the baisis of all types of expenses, which the Corporation has to bear for running the warehouse centre. Keeping in view the objectives of establishment of the MSWC, since its inception it has been giving 15 percent rebate in the storage charge to the primary producers.

6.1.11 The small and marginal farmers usually do not have large quantities of produce to be carried to the places where usually the warehousing facilities under the SWC or the CWC are available. They are generally disposing of the produce either in the village bazars or in the rural markets. Probably, keeping this view in mind, the All-India Rural Credit Survey Committee, in its report, suggested that the warehousing activity below sub-divisional level should be undertaken by co-operative societies. Accordingly, the National Co-operative Development Corporation is assigned the responsibility of assisting these institutions in constructing the storage buildings.

6.1.12 Realising the importance of rural godowns, the 'Scheme for the Construction of Godowns in the Co-operative Sector' has been in operation in the state through the state plans since 1956. The Scheme provided government financial

assistance in the form of subsidy to the extent of 25 percent of the approved construction cost in the developed areas and 50 percent in the specified backward areas. The Scheme was, however in operation in the state till 1980-81.

6.1.13 In 1979-80, the Government of India sponsored a project for establishing a National Grid of Rural Godowns (NGRG). Under NGRG Scheme, the Government of India had sanctioned Maharashtra 954 godowns of total capacity of 2,23,600 MT for the period 1980-81 to 1985-86. These were sanctioned to co-operative institutions including Agricultural Produce Market Committees, MSWC and State Marketing Federation.

6.1.14 The National Co-operative Development Corporation (NCDC), with the financial assistance of Informational Development Agency (IDA) of the World Bank, has sponsored three programmes known as NCDC-I, NCDC-II and NCDC-III, for the construction of rural and marketing godowns only in co-operative sector. Maharashtra has been included in the second and third phases of the scheme. Under NCDC-II, Maharashtra was sanctioned 1,350 godowns with a capacity of 7.3135 lakh tonnes and under NCDC-III, 573 godowns with a capacity of 4.2160 lakh tonnes.

6.1.15 Before the inception of NGRG, NCDC-II and NCDC-III, the total number of godowns in Maharashtra in co-operative sector was 3,500 in 1980-81. After the implementation of

these schemes the number of godowns went up to 5,689 in June 1988, showing an increase of 2,189 godowns (68.5 percent). Co-operative institutionwise progress of godown activity over four years from 1985 to 1988 reveals that, of the four major institutions providing storage facility, PACS are playing a vital role. Both in respect of number of godowns and capacity, they have surpassed all the other agencies. This would help to implement effectively the linkage of credit with marketing. The Primary Marketing Societies and Central Marketing Societies possessed relatively less number of godowns and storage capacity.

6.1.16 The government has laid emphasis on the point that the success of the schemes of godown facility will depend upon the competence and attitudes of the managers of the rural godowns. The National Co-operative Development Corporation has, therefore, sponsored a project named "Training of Personnel in Co-operatives" (TOPIC). Under this project, the managers and accountants of the co-operative institutions which are provided godowns by the NCDC under its Schemes II and III, are to be trained.

6.1.17 There is no official statistical data available regarding the utilisation of storage capacity provided by the co-operatives. According to the officials, their common experience is that once these institutions take the benefit of seed finance and subsidy, thereafter they are not at all

particular about furnishing from time to time the information called by the office. According to the officials of the Marketing Directorate, the experience of rural godowns regarding utilisation of the capacity is not very satisfactory.

6.1.18 Regarding cost of storage too official data is conspicuous by absence. Some scanty details are gleaned in the course of personal discussions with the Directorate Officials. These godowns are provided to farmers free of cost.

6.1.19 According to the officials of the Directorate of Marketing, prior to 1980-81, the APMCs were having very negligible number of godowns and storage capacity. The APMCs in real sense started constructing godowns under the NGRG scheme which was started in 1980-81. Inder this scheme, upto 1984-85, 117 godowns with a capacity of 39,050 tonnes were completed. Besides these, the APMCs have their own godowns also.

6.1.20 According to the Master Plan, prepared by the MSWC, at the end of the Sixth five year plan (31-3-1985), in Maharashtra, the total storage capacity available was 27,99,615 MT. This total comprised the storage capacity maintained by the co-operative sector, public sector and the APMCs. The APMCs were having 1,21,346 MT storage capacity which was about 4.33 percent of the aggregate capacity

available. Out of six administrative divisions of the state, Nasik Division was having maximum aggregate storage capacity followed by Pune, Aurangabad, Amravati, Nagpur and Bombay Divisions in their descending order. Among the districts, Solapur district (14,400 MT) was in the Vanguard, followed by Parabhani (10,150 MT), Akola (9,850 MT), Dhule (7,710 MT) Ahemednagar (7,650 MT), Jalgaon (7,200 MT) and Aurangabad (6,675 MT). Remaining districts possessed less than 6,000 MT storage capacity.

6.1.21 In Maharashtra, there were 244 principal market yards in 1987-88 of which only 91 APMCs were having storage facility of their own and only 9 APMCs were having storage facility provided by warehousing corporations. Co-operative storage facility existed in only 3 APMCs.

6.1.22 Information available regarding utilisation of the available storage capacity with the APMCs is not encouraging for the following reasons :

(a) Majority of the APMCs do not furnish accurate information regarding the storage capacity available and their utilisation.

(b) When they provide the information, it is noticed that there is great deal of discrepancy in the figures.

(c) Majority of the APMCs have given their godowns on hire either to private traders or co-operative marketing institutions.

(d) The APMCs, which manage the godowns themselves, have average utilisation between 20 to 35 percent.

6.1.23 Given the dearth of data on availability on utilisation of godown facility in the market yards of the APMCs, it was decided to undertake a test study of Shree Shahu Market Yard of Kolhapur. It has constructed 20 godowns with a total capacity of 4,000 MT. The officials of the APMC told that as there was dearth of users from producer class all the times, in order to get returns on the huge investment done on their construction, the APMC was almost compelled by circumstances to rent these godowns to different offices and private traders. If this is the position in one of the well-developed APMCs in Maharashtra, what would be the position of the less developed principal and sub-yards? Big vacuum is the only answer.

6.2 SUGGESTIONS

Maharashtra being a deficit state in the foodgrains, no one can expect that there is dearth of storage facility in the state. Such a belief might create a false impression that in future the state may not need any more storage facility. That would be a misconception. Looking at the existing position, there is ample scope for developing this facility particularly by the APMCs and co-operative marketing institutions. As these agencies are having regular contact with the primary producers they are better suited for the function. In fact,

finance is available from government sources; it has to be utilised by these agencies. At the same time, while providing financial assistance to these agencies, the government too should take necessary care regarding proper and fuller utilisation of the facility. As far as possible, the storage capacity should be utilised by the primary producers which will help them to increase their waiting power. This class is largely ignorant of the importance and usefulness of this facility. So all the warehousing institutions and the government should take necessary steps to widely propagate this at the root level. Different mass media can be used to educate the farming community. Unfortunately, the most effective and sought after media these days, viz., television, never bothers about this aspect as all its programmes for the farming community are all the while concerned with agricultural production only. Marketing and its component functions have remained untouched.

On the whole, the state proportion of the APMC's share in total; warehousing stood at 4.3 percent, which is a pointer to enough scope available to these institutions for making a future headway. At the same time, due attention should be paid to the passive attitude of a large number of the APMCs in the state towards exploiting the assistance available through the NGRG schemes. This issue should invite serious attention to all concerned.

APMCs are the main agency in providing scientific storage facility in the market yards. Eventhen, as yet 153 APMCs (as per 1987-88 position) have to provide storage facility to the farmers, which is one of their important functions. If such is the case of principal market yards, then what would be the position of storage facility available in sub-market yards? Worse, is the only answer. Due attention should be given to this aspect.

A few observations on data availability. It has already been pointed out that the Dirctorate of Marketing is supposed to have all the necessary details regarding the godown facility with the APMCs. But this agency appears to be helpless in calling the information because of sheer neglect on the part of the APMCs in entering required details in the annual returns. But there is another side to the issue. To what extent the authorities also seriously insist on the APMCs for furnishing full information annually called for? With such a weak data base, how could the Directorate frame a five year plan for warehouse development? And how could the plan prepared be considered realistic? The Directorate has to do all its best to improve its database on warehousing.

The Maharashtra .State Agricultural Marketing Board, which is still in its infancy and struggling to do something with limited manpower at its disposal, needs to be strengthened and developed fast. All the possible assistance should be given to it to develop a data bank on agricultural marketing, which would include information on warehousing also.

The Maharashtra State Market Committees' Co-operative Federation did a commendable job of publishing a directory of the APMCs in Maharashtra in 1977. But unfortunately the limited details of the APMCs have missed vital information on many aspects including that on warehousing. It is, therefore, high time for the Federation too, to go in for a thoroughly revised and enlarged edition of the directory. Such a publication is badly needed.

In brief, there is a big vacuum on data front regarding agricultural warehousing. Systematic efforts by the concerned institutions is the dire need of the time for a realistic formulation of warehousing policy for the benefit of the agriculturists.