

CHAPTER - IV

CO-OPERATIVE WAREHOUSING

4.1 INSTITUTIONS PROVIDING THE FACILITY

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. It does not mean that these co-operatives should not undertake warehousing activity in urban areas. As nearly 80 percent of the population resides in the rural areas, agriculture is its main occupation and hence it is necessary to provide all basic necessities to this class. Agricultural marketing facility is one of these basic necessities. So the Government of India, to curtail the long chain of middle-men, to stop farmer's exploitation and malpractices by the private traders, encouraged co-operative marketing. The Government of India as a national policy adopted three-tier system of co-operative marketing, comprising Primary marketing societies at the base, Central marketing societies at the intermediate (district) level and

the apex marketing societies at the state level. Besides other activities like selling the marketable surplus of their members, providing agricultural inputs, etc., these co-operatives are supposed to provide storage facility for their members. The National Co-operative Development Corporation is assigned the responsibility of assisting these institutions in constructing the storage buildings.

In Maharashtra, till Dantwala submitted his Report of the Committee on Co-operative Marketing, in 1966, there was three-tier system of marketing co-operatives. Since then, the organisational structure of the co-operative marketing was changed to two levels having the Maharashtra State Co-operative Marketing Federation as the apex body and the affiliated societies at primary level down below at taluka level. In view of the two-tier structure adopted by the state as per the Dantawala Committee Report, almost all the Primary Agricultural Credit Societies in the state are affiliated to Primary Marketing Co-operatives which are generally situated at Taluka/Block level. The erstwhile District Co-operative Marketing Societies are delinked from the two-tier marketing structure. The State Co-operative Marketing Federation functions through the affiliated co-operative marketing societies at the district and taluka levels. The latter act as sub-agents of the apex organisation in the matter of distribution of inputs, sales of agricultural implements and

consumer articles, as well as in the matter of procurement of foodgrains and cotton. However, the main function of these Primary Co-operative Marketing Societies is selling the marketable surplus of their members. So, for this purpose, they provide storage facility. The apex institution is more engaged in distributing agricultural inputs and procurement of foodgrains and cotton; it also possesses storage facility. The delinked Central or District Co-operative Marketing Societies also own storage facility. As the Primary Agricultural Credit Societies are the members of the Primary Co-operative Marketing Societies, they too provide storage accommodation to the primary producers. In this way in Maharashtra, the following co-operatives provide storage facility for agricultural goods :

- (i) Primary Agricultural Credit Societies
- (ii) Primary Marketing Societies
- (iii) Central Marketing Societies
- (iv) Maharashtra State Co-operative Marketing Federation.

Besides these co-operatives, there are other co-operatives also which are having storage capacity for their own sake, such as co-operative sugar factories, co-operative industrial units, etc. These storage facilities are out of the scope of this chapter. Details henceforth are restricted to the four institutions only referred to above.

4.2 SCHEME FOR CONSTRUCTION OF RURAL GODOWNS

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 envisages providing storage facilities to the cultivators for storing agricultural produce and for the storage of various agricultural inputs like fertilisers, implements, seeds, etc. The main object of the Scheme is the creation of adequate storage capacity in the rural areas to facilitate the farmers to keep their produce at the time when the prices are not favourable and to dispose it of at a time when the prices are high so as to give maximum benefit to them. 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 remaining portion of the cost was expected to be raised either from the own resources of the society or by way of loan from the financial agencies. The Scheme was, however, in operation in the state till 1980-81 and about 3500 godowns were completed.

4.3 NATIONAL GRID OF RURAL GODOWNS

In 1979-80, the Government of India sponsored a project for establishing a National Grid of Rural Godowns (NGRG) in the states and union territories primarily to take care of the storage requirements of agricultural produce, particularly of

small and marginal farmers. The capacity of each godown under the scheme is expected to range from 100 to 1,000 Metric Tonnes according to the needs of the institution. The scheme is expected to supplement the existing facilities and to cater to the storage needs of agricultural producers. The scheme, more specifically, intends to prevent distress sales of agricultural produce immediately after harvest and to strengthen the farmers' ability to hold their stocks. The scheme aims at reducing loss in quantity and deterioration in quality due to storage in sub-standard, kachha godowns. Another objective of the scheme is to enable farmers to obtain easy credit against the pledge of the stocks deposited by them in the rural godowns.

This scheme provides for financial assistance by way of subsidy to be shared equally by the central and state governments to the extent of 50 percent of the cost of construction. The balance of 50 percent of the cost should come either from the own resources of the institution or by way of loan from the financing agencies. Under NGRG scheme, the Government of India has sanctioned 954 godowns of total capacity of 3,23,600 tonnes for the period 1980-81 to 1985-86. These godowns were sanctioned to co-operative institutions including Agricultural Produce Market Committees, MSWC and Marketing Federation. So far upto the end of May, 1990, the construction work of 720 godowns with a storage capacity of

3,06,700 tonnes has been completed.

4.4 NCDC - II AND III WORLD BANK STORAGE PROJECTS

The National Co-operative Development Corporation (NCDC), with the financial assistance of International Development Agency (IDA) of the World Bank, has sponsored three programmes known as NCDC - I, NCDC - II and NCDC - III. The project period of NCDC - I was from 1978 to 1985 under which only Haryana, Orissa and Uttar Pradesh states got financial assistance for the construction of rural godowns. The project period of NCDC - II was 1981 to 1988, under which Maharashtra, Andhra Pradesh, Bihar, Himachal Pradesh, Punjab and Uttar Pradesh got financial assistance for the construction of 7,326 rural godowns and 1,611 marketing godowns with a total capacity of 32.7725 lakh tonnes. Out of these, Maharashtra was sanctioned 935 rural godowns and 415 marketing godowns with a total capacity of 7.3135 lakh tonnes. The project period of NCDC - III is from 1984 to 1991, under which Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, Tamil Nadu, West Bengal, Haryana, Punjab and Kerala states have got financial assistance for the construction of total 4,898 rural godowns and 1,091 marketing godowns with an aggregate storage capacity of 19.3635 lakh tonnes. Out of this, Maharashtra's share is of 307 rural godowns and 266 marketing godowns with a capacity of 4.2160 lakh tonnes.

These schemes envisage that the capacity of these godowns should range from 100 to 12,000 Metric Tonnes. Financial pattern of these schemes is such that 45 percent share capital will be contributed by the state government concerned (of which 25 percent money is reimbursable to the state government from the NCDC), 50 percent loan will be channelled through the Land Development Bank or Co-operative Agricultural and Rural Development Bank against government guarantee and 5 percent cost will be raised by the beneficiary societies from their own resources. It means that these schemes carried nearly 45 percent subsidy for the construction of godowns which, prior to these programmes, was only 25 percent. It shows the government's determination and efforts to provide storage capacity in rural areas. Maharashtra has been included in both the major phases of the scheme, viz., NCDC - II and III, which is indeed a welcome feature. Under these schemes only co-operative institutions are assigned the construction work. The MSWC and APMCs, which were included in NGRG programme, have been kept aside under these projects. This indicates the government's desire to develop storage capacity with the co-operatives, which are closer to the small and marginal farmers and hence can better serve them.

Under NCDC - I project, Maharashtra was not included. So the number of godowns and their capacity sanctioned under this scheme has been not considered here in Table 4.1. Since

Table 4.1

Growth in Co-operative Storage Capacity under
NCDC - II and NCDC - III in India

| Sr. No. | State | Net Programme Sanctioned | | | | Percentage share of the state | |
|-------------------|------------------|--------------------------|-------------------|---------------|----------------------|-------------------------------|----------|
| | | Rural godowns | Marketing godowns | Total godowns | Capacity (lakh M, T) | godowns | capacity |
| <u>NCDC - II</u> | | | | | | | |
| 1 | Andhra Pradesh | 2,831 | 100 | 2,931 | 3.5875 | 32.79 | 10.94 |
| 2 | Bihar | - | 184 | 184 | 2.1500 | 2.05 | 6.56 |
| 3 | Himachal Pradesh | 730 | 86 | 816 | 0.7920 | 9.13 | 2.41 |
| 4 | Maharashtra | 935 | 415 | 1,350 | 7.3135 | 15.10 | 22.31 |
| 5 | Punjab | 1,233 | 361 | 1,594 | 10.1335 | 17.86 | 30.95 |
| 6 | Uttar Pradesh | 1,597 | 465 | 2,062 | 8.7960 | 23.07 | 26.83 |
| Sub - Total | | 7,326 | 1,611 | 8,937 | 32.7725 | 100.00 | 100.00 |
| <u>NCDC - III</u> | | | | | | | |
| 1 | Karnataka | 800 | 114 | 914 | 1.1750 | 15.26 | 6.08 |
| 2 | Madhya Pradesh | 1,488 | 158 | 1,646 | 3.4345 | 27.49 | 17.78 |
| 3 | Orissa | 288 | 118 | 406 | 1.5270 | 6.78 | 7.90 |
| 4 | Rajasthan | 385 | 152 | 537 | 0.8320 | 8.97 | 4.30 |
| 5 | West Bengal | 605 | 119 | 724 | 1.6620 | 12.09 | 8.60 |
| 6 | Haryana | - | 51 | 51 | 1.7500 | 0.85 | 9.06 |
| 7 | Maharashtra | 307 | 266 | 573 | 4.2160 | 9.57 | 21.82 |
| 8 | Tamil Nadu | - | 45 | 45 | 1.0630 | 0.75 | 5.50 |
| 9 | Uttar Pradesh | 664 | 55 | 719 | 2.9745 | 12.01 | 15.40 |
| 10 | Andhra Pradesh | 209 | - | 209 | 0.2785 | 3.49 | 1.44 |
| 11 | Punjab | - | 3 | 3 | 0.1800 | 0.05 | 0.93 |
| 12 | Kerla | 152 | 7 | 159 | 0.2220 | 2.65 | 1.15 |
| Sub - Total | | 4,898 | 1,088 | 5,986 | 19.3145 | 100.00 | 100.00 |
| Grand - Total | | 12,224 | 2,699 | 14,923 | 52.0870 | - | - |

Source : NCDC, Annual Report, 1988-89.

Maharashtra was included in the NCDC - II and NCDC - III projects, details of these two projects have been shown in Table 4.1. Under NCDC - II, out of the total godowns sanctioned, Andhra Pradesh topped in the beneficiary list. Its share in the total godowns sanctioned was nearly 33 percent (2,931 godowns). Andhra Pradesh is a grainery of rice production and assumes an important place in the country supplying this staple commodity which forms part of the diet everywhere in the country. Therefore, the state must have been given prominence in construction of rural godowns. But when the share of this state in the total capacity sanctioned is taken into account, is lower at only 10.94 percent (3.5875 lakh M.T). It implies that most of the godowns sanctioned were of smaller size which can be conveniently constructed in rural areas to assist small and marginal farmers. Uttar Pradesh ranked second in both the number of godowns (2,062) and the storage capacity (8.7960 lakh M.T). As this state is geographically big and its western part is under the influence of green revolution, sustantially large number of godowns and correspondingly the storage capacity was allocated to it. This is befitting the need of the state. The Punjab stood third in the number of godowns (1,594) but first in the total storage capacity (10.1335 lakh M.T). The state being a food bank for India, requires considerable storage capacity. Since its geographical expanse is quite compact, compared to Uttar

Pradesh and Andhra Pradesh, the godown size is bound to be bigger, in fact that is the need of the state. Maharashtra's position was fourth in the share of total godowns (15.10 percent, 1,350 godowns) and third in the storage capacity (22.31 percent, 7.3135 lakh M.T). This indicates that the state has had the chance of constructing at least some large-sized godowns. Bihar and Himachal Pradesh are at the bottom, Bihar with least number of godowns (184 and 2.05 percent share) and Himachal Pradesh with least proportion of storage capacity (0.7920 lakh M.T. and 2.41 percent). These facts may be attributed to agricultural backwardness of Bihar and widespread hilly terrain of Himachal Pradesh. Importantly, no rural godown was assigned to Bihar in this project.

Under NCDC - III project, number of states included has doubled. The four states which were included under NCDC - II have again been included in this Programme. They are Andhra Pradesh, Maharashtra, Punjab and Uttar Pradesh. Eight states newly included in this programme are Karnataka, Madhya Pradesh, Orissa, Rajasthan, West Bengal, Haryana, Tamil Nadu and Kerala. Perusal of Table 4.1 reveals conspicuously that Madhya Pradesh had the lion's share in the number of godowns (1,646) and their percentage in the total (27.49 percent). Whereas Maharashtra had the privilege of maximum storage capacity (4.2160 lakh M.T) and its percentage in the total (21.82 percent). This is indeed quite an encouraging

development for Maharashtra.

If the states under NCDC - III are ranked in decreasing order on the basis of the number of godowns sanctioned to them, next to Madhya Pradesh follow Karnataka, West Bengal, Uttar Pradesh, Maharashtra, Rajasthan, Orissa, Andhra Pradesh, Kerala, Haryana, Tamil Nadu and Punjab. If they are arranged with reference to the storage capacity sanctioned, Maharashtra is followed by Madhya Pradesh, Uttar Pradesh, Haryana, West Bengal, Orissa, Karnataka, Tamil Nadu, Rajasthan, Andhra Pradesh, Kerala, and Punjab in their descending order.

4.5 STORAGE CAPACITY IN CO-OPERATIVE SECTOR

Before the inception of NGRG, NCDC - II and III the total number of godowns in Maharashtra in the 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 (Table 4.2), showing an increase of 2,189 godowns (68.5 percent). In the span of 8 years this much increase is a very encouraging phenomenon. An obvious reason for this is that under the NGRG and NCDC schemes, the percentage of subsidy raised to 50 and 45 percentage respectively as against 25 percent earlier. This relieved the co-operatives of some of their financial burden and thus provided them incentive to undertake construction works.

Co-operative institutionwise progress of godown activity over four years from 1985 to 1988 is detailed in Table 4.2.

Table 4.2

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(Capacity '000' tonnes)

No. of godowns in co-operatives and their capacity

| Sr.No. | Types of Societies | June, 1985 | | June, 1986 | | June, 1987 | | June, 1988 | | % Increase in 9 over 3 | % increase in 10 over 4 |
|---------|---|---------------|-----------|---------------|--------------|---------------|--------------|---------------|--------------|------------------------|-------------------------|
| | | No.of godowns | Capa-city | No.of godowns | Capa-city | No.of godowns | Capa-city | No.of godowns | Capa-city | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| A | Primary Agricultural Credit Societies | 3,728 | 959 | 3,762 (0.9) | 980 (2.18) | 4,190 (11.37) | 971 (-0.9) | 4,417 (5.41) | 1,061 (9.26) | 18.48 | 10.60 |
| B | Maharashtra State Co-operative Marketing Federation | 56 | 108 | 56 (-) | 108 (-) | 62 (10.71) | 128 (18.51) | 66 (6.45) | 137 (7.03) | 17.85 | 26.85 |
| C | Central Marketing Society | 146 | 75 | 149 (2.05) | 79 (5.33) | 207 (38.92) | 141 (78.48) | 214 (3.38) | 147 (4.25) | 46.57 | 96.00 |
| D | Primary Marketing Society | 872 | 396 | 929 (6.33) | 374 (-5.50) | 959 (3.22) | 401 (7.21) | 992 (3.44) | 416 (3.74) | 13.76 | 5.00 |
| Total : | | 4,802 | 1,538 | 4,896 (1.95) | 1,541 (0.19) | 5,418 (10.66) | 1,641 (7.78) | 5,689 (5.00) | 1,761 (7.31) | 18.47 | 14.49 |

NOTE : Figures in parentheses are percentage change over the previous year.

SOURCE : Co-operative movement at a Glance in Maharashtra State - 1986 to 1989, Office of the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, PUNE.

It can be observed therefrom 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. Actually, these institutions are very closer to farmers and hence can induce them to use the facility and improve their bargaining power. The Primary Marketing Societies and Central Marketing Societies passed relatively very less number of godowns and storage capacity. In fact, the main objective of these institutions is to provide all essential services for agricultural marketing. Storage facility is one of the important essential services, but unfortunately it seems that these institutions appear to be somewhat passive in performing this duty. The Marketing Federation, which acts as an agent of the government in buying and selling agricultural inputs and outputs, is least concerned with this fact, as it does not deal with the farming class directly.

In depth examination of Table 4.2, reveals the following particulars of the warehouse development activity in the state during the four years in question.

- (1) PACS surpasses all other agencies both in number of godowns and storage capacity.

- (2) During 1986, the Primary Marketing Societies made a significant progress in building godowns compared with other agencies. However, surprisingly the original source booklet has indicated a decline in storage capacity from 396 to 374 thousand tonnes (that is, -5.5 percent change). How could this happen? No explanation for this discrepancy was available. Probably the printer's devil might have played the game. Similar is the problem with the PACS in 1987; godowns had risen from 3,762 in June 1986 to 4,190 in June 1987 (+ 11.3 percent), but the storage capacity had lowered to 971 from 980 thousand tonnes (- 0.9 percent).
- (3) During 1987, the progress made by the Central Marketing Societies was conspicuous as the number of their godowns increased by almost 39 percent and the storage capacity by 78.48 percent. The Marketing Federation, which made no progress during the previous year, showed a good progress during 1987 by registering 10.71 percent increase in the number of godowns and 18.51 percent increase in the storage capacity. The performance of the Primary Marketing Societies was poor compared with other agencies.
- (4) Compared with 1987, during 1988, all the agencies had a slow march on the front of increasing storage capacity through building of new accommodations. Of them, PACS

alone registered a relatively better performance.

(5) When the picture of June 1988 is compared with that of June 1985 the Central Marketing Societies had the best of performance with 46.57 percent increase in the number of godowns and 96 percent increase in the storage capacity. Next in order stood the State Marketing Federation (17.85 percent and 26.85 percent respectively). PACS ranked third (18.48 percent and 10.60 percent respectively) and the Primary Marketing Societies had the least achievements (13.76 percent and 5 percent respectively). It is really striking that the primary societies which are supposed to take better care of agricultural marketing are the laggards in developing storage facility in the countryside.

(6) Under the NGRG and NCDC - II and III programmes, PACS have made commendable progress in providing storage capacity. Before commencement of these programmes, PACS were having 3,051 godowns with aggregate capacity of 3,58,500 tonnes during 1977-78. By June 1988, they had 4,417 godowns (+ 86.46 percent) and storage capacity of 10,61,000 tonnes (+ 196 percent).

Development of the godowns and storage capacity thereof during the four years under reference can also be studied with reference to the progress in the storage capacity per godown. This indicator would, perhaps,

help in understanding the efforts of each of the types of co-operative institutions in their proper perspective. For the purpose, the data of Table 4.2 are recast in Table 4.3 showing the storage capacity per godown.

Table 4.3

Storage capacity per godown (in tonnes)

| Agency | June 1985 | June 1986 | June 1987 | June 1988 |
|----------------------|-----------|-----------|-----------|-----------|
| 1. PACS | 257 | 260 | 232 | 239 |
| 2. Federation | 1,929 | 1,929 | 2,065 | 2,076 |
| 3. Central Marketing | 514 | 530 | 681 | 687 |
| 4. Primary Societies | 454 | 403 | 418 | 419 |

Source : Compiled from Table 4.2

Now it can be noticed that the average storage capacity of the State Marketing Federation as also the Central Marketing Societies had an uptrend, as against the dip experienced with PACS and Primary Marketing Societies. The implication is that the former two categories of co-operative societies were going on mostly for large-sized godowns while the latter group cared more for the small-sized ones. Such a difference may be considered obvious as the two groups of societies had different reference of area of operation, the former having mostly urban and semi-urban area and the latter having semi-urban and rural area.

4.6 "TOPIC"

The World Bank godown project and the NGRG scheme of Government of India lay stress on the training of the personnel working at different levels in the concerned co-operative societies. The government has laid emphasis on the point that the success of the schemes will depend upon the competence and attitudes of the managers of the rural godowns. Therefore, emphasis has been laid on periodical organisation of training programmes for the managers to be implemented under the supervision of the SWC. The National Co-operative Development Corporation has also sponsored a five year project named "Training of Personnel in Co-operatives" (TOPIC). Under this project, Dr. Vithalrao Vikhe Patil Co-operative Training College, Pune is entrusted with the responsibility of imparting training to the managers and accountants of the co-operative institutions which are provided godowns by NCDC under its Schemes II and III. The training programme was initiated in April 1987 and was to continue upto June 1990. However, the NCDC has now extended the period of TOPIC by one year upto June 1991.

Importance of training and education in co-operative activity to those in management has often been stressed as absolutely essential by almost all the expert committees appointed from time to time. Every kind of co-operative activity needs some specialised knowledge and constructive

outlook. Training programmes make the personnel aware of their role and thus help in improving the performance of the co-operative institution. TOPIC is an addition facility made available. Its success in the context of warehousing societies will depend on the extent to which the personnel will be trained and the enthusiasm and zeal with which they utilise their specialised knowledge for furthering the cause of agricultural warehousing.

4.7 UTILISATION OF STORAGE CAPACITY

There is no official statistical data available regarding the utilisation of storage capacity provided by the co-operatives. All the possible efforts were made to acquire the information regarding the utilisation of storage capacity institutionwise, commoditywise and userwise. But the offices of the Directorate of Marketing and Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, showed their inability in providing this information since they themselves had no details. 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 and particular about furnishing from time to time the information called by the office. The Directorate has the system of collecting information on warehousing every year. But, it is a sad state of affairs that the proforma are returned by the institutions often

without any details or with half-baked scribblings. Reminders to the institutions too have been ineffective. Consequently, the government departments themselves are in the dark about the nature and extent of warehousing facility in existence and their use-pattern. This is perhaps the biggest data constraint resulting into a big vacuum in any research report on co-operative warehousing. The only way out is to undertake a census by any researcher independently. But that is an uphill task warranting considerable patience, time and money.

According to the officials of the Marketing Directorate, the experience of rural godowns regarding utilisation of the capacity is not very satisfactory. "Most of the godowns are under utilised and empty for a large part of the year. When the godowns are empty they are used as halls for carrying out the marriage ceremonies and other functions and meetings in the villages. Even there are isolated instances when Tamasha groups have performed their public shows in the godowns in the villages".¹ The quotation speaks enough, no more comments are desirable. Mere construction of godowns is not enough, though it is the first step. Attracting the real users of it is of greater importance. Due attention needs to be provided to this problem by all concerned.

4.8 COST OF STORAGE

Here too the study is not at all different from one narrated in the previous section; official data is conspicuous

by absence. Some scanty details are gleaned in the course of personal discussions with the Directorate Officials. It was reported that, these godowns are to be provided to farmers free of cost. This is an inducement to the agriculturists to avail of the facility provided almost at their doorsteps and expected to be utilised in case the market prices are unremunerative. In order that the benefits of storage are passed on to the large number of agriculturists, it would be necessary that each reorganised PACS should have a godowns of its own. Once storage facilities are thus made available, these primaries could insist on the producers to deposit their marketable surplus in the godown maintained by the society. Of course, priority has to be given to fuller utilisation of the existing and planned rural godowns, before any new investment is undertaken which is most likely to lie dormant and dead.

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