

CHAPTER - III

MAHARASHTRA STATE WAREHOUSING CORPORATION

3.1 SOURCES OF FINANCE

3.1.1 PAID-UP SHARE CAPITAL

As per the Agricultural Produce (Development and Warehousing) Corporation Act, 1956, the SWCs could be established by the state governments with the approval of the CWC. The erstwhile Bombay Government took immediate steps for the creation of a State Warehousing Corporation for Bombay State and the Bombay State Warehousing Corporation saw light on 8th August, 1957. 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 was to be subscribed equally by the CWC and the state government. It was decided that the SWCs would make a beginning with the authorised share capital of Rs.2 crores. Accordingly, the initial authorised share capital of the Maharashtra State Warehousing Corporation (MSWC) was fixed at Rs.2 crores. The Government of India, thereafter raised this limit to Rs.3 crores in 1977-78, to Rs.5 crores in 1980-81 and finally to Rs.6.60 crores in 1985-86. The hike applied to all the SWCs

in the country and hence *ipso facto* the MSWC was not exception. These changes are shown in column 2 of table 3.1.

Table 3.1 shows that both the Maharashtra Government and the CWC, which are main source of finance, have been quite on their feet in enhancing the paid-up capital of the MSWC commensurate with increase in the authorised capital, in order to enable the Corporation to increasingly undertake the work of warehouse construction. 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. Slowing down of the growth rate during the last phase can be attributed to generation of its own income by the MSWC from the warehouse buildings constructed in the past.

Changes in the paid-up capital may, again be looked with the help of index numbers with 1962-63 as the base year. The first decade upto 1971-72 indicates an increase by only 68.63 percentage points, the second decade upto 1981-82 exhibits a sharp hike to the extent of 423.53 percentage points while the last 7 years record a further rise of 404.70 percentage points. Thus the second decade has been quite significant in the process of supply of capital to the Corporation.

Paid-up capital can again, be seen vis-a-vis the authorised capital from time to time in order to ascertain the efforts of the financing institutions to strengthen the Corporation with block finance. Referring to Table 3.1, it can be noticed that so long as the authorised capital was Rs.200 lakhs, the proportion of paid-up capital to the authorised capital rose from 25.50 percent in 1962-63 to 65.00 percent in 1976-77. The first hike in the authorised capital pulled the percentage down to 55.33 in 1977-78, but again swelled to 78.67 percent in 1979-80. With a further increase of authorised capital to Rs.500 lakhs in 1980-81, the percentage slumped to 56.40 and thereafter touched the all-time peak of 82.16 percent in 1984-85. Enhancement of the authorised capital to Rs.660 lakhs in 1985-86 brought down the share of paid-up capital to 70.97 percent in that year. Later on it gradually picked-up and reached to 77.03 percent in the terminal year. In sum, care is being taken by the two financing agencies to strengthen the financial base of the MSWC maintaining always the upward slant of the trend when the authorised capital is increased.

3.1.2 BORROWINGS

Besides the share capital, the Corporation can also raise funds through borrowings. The Corporation can borrow from nationalised banks, CWC, NABARD, etc. Since its inception, upto 1973-74, the Corporation managed its financial

requirements through share capital and revenue from warehouse business. In 1973-74, as it took a crash programme of constructing warehouses, it took a loan of Rs.70 lakhs from the State Bank of India. In 1976-77, the Corporation again borrowed Rs.49 lakhs from the State Bank of India. During 1984-85, NABARD sanctioned a loan of Rs.274.20 lakhs to the Corporation for the construction programme envisaged during the Seventh plan. The construction programme under the National Grid of Rural Godowns was financed by the Maharashtra State Co-operative Bank Ltd., during 1984-85, by extending a term loan of Rs.127.40 lakhs. Besides this, the Corporation has taken loan from the CWC. 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.

It is clear from these particulars that initially the Corporation was depending mainly on the CWC for its funds. Since the Seventh five year plan, NABRD and Maharashtra State Co-operative Bank have emerged as principal leaders. Among the nationalised banks, the share of State Bank of India was maximum.

Table 3.1

Capital structure of the Maharashtra State Warehousing Corporation
(Rs. in lakhs)

Year (31st March)	Authorised Capital	Paid-up Capital	Index No. of Paid-up Capital (1962-63 = 100)	Paid-up capital as % of autho- rised capital
1	2	3	4	5
1962-63	200	51.00	100.00	25.50
1963-64	200	55.00	107.84	27.50
1964-65	200	60.00	117.65	30.00
1965-66	200	65.00	127.45	32.50
1966-67	200	67.00	131.37	33.50
1967-68	200	71.00	139.22	35.50
1968-69	200	71.00	139.22	35.50
1969-70	200	71.00	139.22	35.50
1970-71	200	79.00	154.90	39.50
1971-72	200	86.00	168.63	43.00
1972-73	200	93.00	182.35	46.50
1973-74	200	97.00	190.19	48.50
1974-75	200	106.00	207.84	53.00
1975-76	200	116.00	227.45	58.00
1976-77	200	130.00	254.90	65.00
1977-78	300	166.00	325.49	55.33
1978-79	300	206.00	403.92	68.67
1979-80	300	236.00	462.75	78.67
1980-81	500	282.00	552.94	56.40
1981-82	500	302.00	592.16	60.40
1982-83	500	348.00	682.35	69.60
1983-84	500	368.40	722.35	73.68
1984-85	500	410.80	805.49	82.16
1985-86	660	488.40	918.43	70.97
1986-87	660	488.40	957.65	74.00
1987-88	660	508.40	996.86	77.03
1988-89	660	508.40	996.86	77.03

Source : Annual Reports of the 'MSWC'

3.2 STORAGE CAPACITY INSTALLED ; PROGRESS

The concept of the storage capacity of a godown is basically volumetric. Generally foodgrains are being handled by procurement, storage and distribution agencies on a large scale. It has, therefore, become customary to indicate the storage capacity in terms of bags of foodgrains stored in it. The storage capacity of Maharashtra State Warehousing Corporation is determined in terms of 'standard bag' which is defined as a bag of foodgrains measuring 3' x 2' x 1' and weighing one quintal (Ten standard bags are equivalent to one metric tonne).

The Maharashtra State Warehousing Corporation (MSWC), which was known as Bombay State Warehousing Corporation upto 29-9-1960, started working during 1958-59, with the establishment of three warehouses at Karad, Jalgaon and Derol. These three godowns were hired godowns. The Corporation actually started its construction programme in 1960-61 and gave a momentum to it in later years. During 1958-59, the Corporation was having 3 warehouses at 3 centres with a storage capacity of 9,500 standard bags or 950 Metric Tonnes. During 1988-89, the number of warehousing centres rose to 119 and the total capacity reached to 7.316 lakh Metric Tonnes. Time series data for this period are presented in Table 3.2. Following conclusions emerge from Table 3.2.

- (1) The number of warehouse centres increased by 1400 percent between 1958-59 and 1966-67, which shows that the Corporation has made fast growth in the beginning. The number of warehouse centres increased by 100 percent between 1966-67 and 1974-75, by 11.11 percent between 1974-75 and 1982-83 and by 19.00 percent between 1982-83 and 1988-89. Thus the growth rate in the number of warehouse centres has slowed down phenomenally since 1974-75.
- (2) Growth in the warehouse centres appears to be uneven, there are ups and downs. There was an uptrend from the beginning till 1963-64, when the number of centres grew from 3 to 69. The quinquennium from 1964-65 to 1969-70 exhibits a continuous downtrend bringing down the number of centres to 37 in 1969-70. Beyond this, though there has been a general uptrend, it is through periodical ups and downs. It was again during the triennium 1974-75 to 1986-87 and then in 1980-81 and 1987-88 that the number of warehousing centres slumped. Importantly, this had no adverse effect on the aggregate storage capacity available; on the contrary, the capacity had increased substantially. Such unevenness is attributed by the Corporation Reports primarily to lack of adequate warehousing business compelling the Corporation to close unviable centres for the time

being. It all means that the Corporation runs only those centres which are economically viable. Right policy indeed.

- (3) The total storage capacity which was merely 950 metric tonnes during 1958-59, has reached to 7,31,600 metric tonnes in the terminal year, which marks 76,910 percent increase over the base year. The overall progress is indeed phenomenal.
- (4) Average storage capacity per centre also marked a tremendous hike from 316.70 metric tonnes in 1958-59 to 6,147.90 metric tonnes in 1988-89, registering an increase of 1,841 percent. However, in this respect too, the overall uptrend is a result of periodical fluctuations in the average.

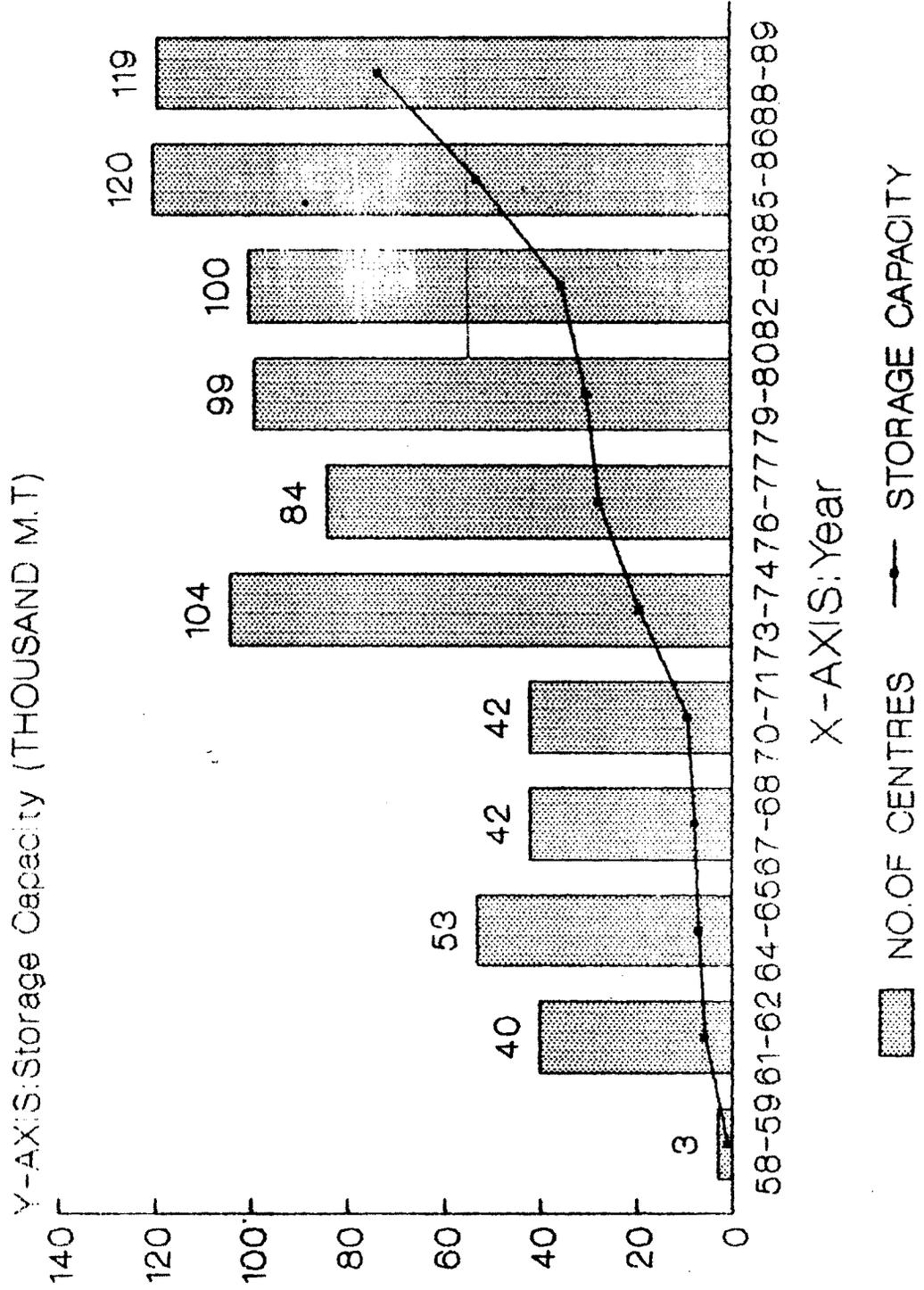
Table 3.2

Storage capacity with the Maharashtra State Warehousing Corporation

Year	No. of warehouse centres	% change over previous year	Total storage capacity (M. Tonnes)	% change over previous year	Average capacity per centre (M. Tonnes)
1	2	3	4	5	6
1958-59	3	-	950	-	316.70
1959-60	18	500.00	9,520	902.10	528.90
1960-61	27	50.00	30,073	215.89	1,113.80
1961-62	40	48.14	57,200	90.20	1,430.00
1962-63	65	62.50	77,200	34.96	1,187.70
1963-64	69	6.15	79,670	3.20	1,154.60
1964-65	53	- 23.18	68,990	- 13.40	1,301.70
1965-66	48	- 9.43	81,347	- 17.90	1,694.70
1966-67	45	- 6.25	71,517	- 12.00	1,589.20
1967-68	42	- 6.67	77,096	- 7.80	1,835.60
1968-69	40	- 4.76	72,400	- 6.09	1,810.00
1969-70	37	- 7.50	87,522	20.88	2,365.40
1970-71	42	13.51	90,223	3.08	2,148.20
1971-72	57	35.71	1,01,423	12.41	1,779.30
1972-73	97	70.17	1,34,772	32.88	1,389.40
1973-74	104	7.21	1,90,880	41.63	1,835.40
1974-75	90	- 13.46	2,12,921	11.54	2,365.80
1975-76	88	- 2.22	2,61,710	22.91	2,973.97
1976-77	84	- 4.55	2,74,700	4.96	3,270.20
1977-78	84	-	2,62,606	- 4.40	3,128.30
1978-79	90	7.14	2,70,070	2.84	3,000.70
1979-80	99	10.00	3,01,503	11.63	3,045.50
1980-81	98	- 1.00	3,11,277	3.24	3,176.30
1981-82	100	2.04	3,16,144	1.56	3,161.40
1982-83	100	-	3,50,868	10.98	3,508.70
1983-84	108	8.00	3,74,700	6.79	3,469.40
1984-85	113	4.62	4,23,358	12.98	3,746.40
1985-86	120	6.19	5,27,500	24.60	4,395.80
1986-87	122	1.66	6,07,600	15.18	4,980.30
1987-88	118	- 3.27	6,88,100	13.25	5,831.40
1988-89	119	0.84	7,31,600	6.32	6,147.90

Source : Annual Reports of the 'MSWC'

NO. OF WAREHOUSING CENTRES & STORAGE CAPACITY WITH THE 'MSWC'



3.3 UTILISATION OF STORAGE CAPACITY

The utilisation of storage capacity is determined on the basis of the space occupied by the goods and/or reserved by the depositors for their use. The space utilised by various commodities in storage is converted into standard bags to determine the utilisation at the end of each month by every warehouse. The actual utilisation of reserved space by the depositors depends on the availability of the commodities and also the turnover.

One of the main objectives of the Corporation is to help the depositors, particularly primary producers, to raise loans against warehouse receipts and thus save them from the losses which would otherwise be caused by distress sales. For the same purpose Co-operative institutions can also utilise the storage capacity of the Corporation. The Corporation makes no discrimination between depositors desiring to avail of the facilities of scientific storage at the warehouses, 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 Agriculture Department for the storage of fertilisers and inputs. The Rashtriya Chemicals and Fertilisers Corporation, Government of Maharashtra, Government of India and Food Corporation of India have entrusted the work of storage and

handling of their fertilisers and food to the MSWC. Since 1972-73 the Corporation received the work of storage of full-pressed bales of cotton from the Cotton Corporation of India. With the commencement of the Cotton Monopoly Scheme, the Apex Marketing Federation, which is the agent of the state government under this scheme, started storing bales with this Corporation from November, 1972. Since 1977-78, the State Trading Corporation, National Co-operative Consumers Federation Ltd., and National Agricultural Co-operative Marketing Federation of India Ltd., also began utilising the storage facility of the Corporation. In order, not to solely depend on the patronage of government and governmental institutions for its revenue, the Corporation has sought new business from industries in the private as well as co-operative sectors. Storage has been undertaken both of raw materials required by industries as well as finished products. The Corporation has provided storage facilities for sugar from the co-operative sugar factories. The Corporation has also been entrusted by the Rural Development Department of the Government of Maharashtra with the storage of cement on behalf of the Zilla Parishads. The Corporation has also entered into an agreement with the Indian Farmers Fertiliser Co-operative Ltd., Gujarat State Fertilisers Company Ltd., and Zuari Agro Chemicals Ltd., for extending storage space for their fertilisers.

In this way, the storage capacity is utilised by the Government of Maharashtra, notably the Department of Agriculture and the Department of Food and Civil Supplies, major public undertaking like the Food Corporation of India. The Rashtriya Chemicals and Fertilisers Corporation, Maharashtra State Agro-industries Development Corporation etc., private fertiliser companies, Zilla Parishads, private and co-operative industries, traders and primary producers. The commodities stored in these warehouses by the above said agencies are mainly fertilisers, foodgrains, pesticides, seeds and cotton bales.

The utilisation of storage capacity provided by the Corporation is not steady. It is noticed that the percentage of utilisation of storage capacity fluctuates according to the fluctuations in foodgrain production, production and imports of fertilisers, change in government policy and total business turnover of the traders and user institutions. (Table 3.3).

Perusal of Table 3.3 reveals that 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 year 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 the 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.

Explanations of the underutilisation of the available storage capacity are given by the Corporation sources by attributing the phenomena to the specific conditions confronted during certain years. Important details follow.

- (1) In the initial year, as the Corporation started its business with hired godowns of only 950 metric tonnes capacity, percentage of capacity utilisation remained considerably low at 16.84 due to the ignorance of the public about the facility and its benefits. But it rose to a comfortable height immediately from the following year, 1959-60. In 1960-61 the utilisation exceeded 100 percent because advances against warehouse receipts were exempted from the purview of credit control of the Reserve Bank of India. As a result of this exemption, the depositors were free to obtain advances from the banks through warehouse receipts over and above their individual limits.

- (2) In 1962-63, the percentage of capacity utilisation decreased to 84 for two reasons. One with a view to holding the price line of agricultural commodities, the Reserve Bank of India applied curbs against agricultural advances. Two, with the proclamation of National Emergency following the Chinese aggression, there prevailed a general feeling of nervousness in the markets.
- (3) During 1963-64, the average capacity utilisation remained at 89 percentage. Besides the continuation of National Emergency and Reserve Bank of India's curbs against agricultural advances, there were other factors also. Failure of crops in some parts of the state and steep rise in prices during early 1964 encouraged the depositors to withdraw their stocks. There were statutory restrictions on inter-state movements of commodities. These factors were responsible for low utilisation of storage capacity even during 1964-65 and 1965-66.
- (4) During 1966-67, the average capacity utilisation decreased upto 77.90 percent, because, with the continuation of curbs on the advances against foodgrains, the depositors were not inclined to store the produce with the warehouses. Further, due to adverse monsoons, scarcity conditions prevailed in

certain parts of the state and there was a steep rise in the prices of commodities. Zonal restrictions on movement of foodgrains from one state to another also adversely affected the business of the Corporation. Besides this, the Government of Maharashtra was previously storing the stocks of procured foodgrains in Warehouses of the Corporation. Due to a change in the government policy of storing such foodgrains in the government godowns, there was a considerable fall in the available consignment for storage.

- (5) During 1972-73, the average utilisation of storage capacity went upto 98 percentage which is certainly an impressive performance. Important developments during the year produced this happy result. During this year the Corporation received for storage full-pressed bales of cotton from the Cotton Corporation of India. With the commencement of the Cotton Monopoly Scheme, the Apex Marketing Federation started storing bales with the MSWC from November, 1972. Secondly, on account of scarcity conditions prevailing in the state, the Corporation was pushed into the field of distribution of essential commodities as an agent of the state government. Thirdly, the Corporation stored wheat seeds and fertilisers on a big scale under the Rabi Crash Programme of the Government of Maharashtra.

- (6) The year 1973-74 experienced a conspicuous depression in capacity utilisation from 98 percent in the previous year to 51 percent. It was due, firstly, to the suspension of prohibitory section under the Cotton Monopoly Scheme. As a result of this, the anticipated custom of full-pressed bales of cotton and cotton seeds for sowing purposes could not be achieved. Additionally, because of good monsoons, the fertiliser stock was distributed by the government to formers and as such there was a steep fall in the storage of fertilisers. Thirdly, the after effects of drought conditions of the last year, i.e., 1972-73, deferred the cultivators from storing their surplus with the Corporation which resulted into fall of general custom.
- (7) In 1974-75, the Corporation succeeded in recovering (76 percent) from the shortfall of the previous year, made possible by the excellent Kharif harvest, revival of the Cotton Monopoly Scheme and new business from Rural Development of the Government of Maharashtra for storage of cement on behalf of the Zilla Parishads.
- (8) The Corporation could utilise its full capacity in 1975-76. Besides its regular customers, the Corporation, during this year, received custom from a number of companies in the private sector, especially fertiliser companies like Madras Fertilisers Limited.

- (9) The average utilisation of storage capacity decreased continuously since 1976-77 to 1980-81. However, it decreased considerably in 1980-81. This was due to reduction in reservation of space by the fertiliser companies and the Maharashtra State Co-operative Marketing Federation Ltd. The business of cotton bales decreased due to failure of rain in the cotton growing tracts of Vidarbha and Maharashtra. Besides this, the Marketing Federation started its own construction programme at certain places where the Corporation was already operating. The Food Corporation of India too reduced its business.
- (10) In 1985-86, the average utilisation again picked up and rose to 92 percent and in the succeeding year it exceeded its full capacity to establish a new record of utilisation (103.74 percent). The 1985-86 performance can be attributed to favourable response from the old customers. Private and co-operative fertiliser units stored 60 percent more fertiliser than the previous year, i.e., 1984-85. The percentage of utilisation for storage of cotton bales increased by 176 percent. The State Trading Corporation utilised the storage facility for imported sugar. The Corporation, for the first time, got business from the Indian Dairy Corporation for storing skimmed milk powder.

Regarding the record utilisation of storage capacity during 1986-87, the total fertiliser reservation by public sector and co-operative manufacturers increased by 47 percent compared with previous year. Due to drought condition the Corporation could not get more business from Cotton Procurement Programme and primary producers, though the adverse effect of this was very marginal. This shortfall was more than compensated by more business from the State Trading Corporation and the Indian Dairy Corporation Ltd., which stored imported and skimmed milk powder respectively.

- (11) The commendable performance of 1986-87 could not be perpetuated in the following years, which once again exhibited decline in capacity utilisation to 87 percent in 1987-88 and 74 percent in 1988-89. In 1987-88, the average utilisation decreased because there was drought condition during the year and hence the Corporation could not get its regular quantum of business from the Cotton Procurement Programme and due to high market rates of cotton, stocks with the Corporation were withdrawn. The State Trading Corporation imported less sugar. Drought conditions compelled the state government to withdraw sooner its stocks of foodgrains.

In 1988-89, even though the agricultural production was good, the market rates of agricultural produce remained at a high level. Sales were preferred to storage. So the primary producers and traders decreased their business with the Corporation. Owing to good monsoon, there were larger deliveries of fertilisers too bringing down the reservation of fertilisers. Moreover, as the fertiliser companies diverted their substantial fertiliser stocks to co-operative and private godowns and as such, the Corporation could not get its desirable custom of the fertilisers. This was one of the main reasons for the low occupancy.

It is evident from Table 3.3 that, the Corporation could not utilise its full storage capacity for most of the years. Careful examination of the causes of fluctuations for some years as discussed above, 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. Following are some observations in this context.

- (1) Whenever the Reserve Bank of India imposed curbs on advances against warehouse receipts, the average utilisation of storage capacity decreased.

- (2) In 1964, the Government of Maharashtra introduced the Monopoly Purchase-cum-Procurement Scheme of Foodgrains. Storage of procured foodgrains with the Corporation provided it with substantial business so long as the scheme continued.
- (3) Adoption of the Cotton Monopoly Scheme by the state government in 1972 helped the Corporation to increase its average capacity utilisations as the Apex Marketing Federation stored cotton bales with the Corporation.
- (4) The Food and Civil Supplies Department of the Government of Maharashtra is the permanent customer of the Corporation, which has given the work of storage and issue of foodgrains under the Public Distribution System. This has also helped in utilising the storage capacity of the Corporation.
- (5) Effects of good and bad monsoons on the business of the Corporation are interesting. Basically, the Corporation, as recommended by the All-India Rural Credit Survey Committee, was established for the benefit of the farmers. Therefore, when there is good monsoon and a good harvest, the farmers are expected to store larger quantity of farm produce with the Corporation so that the average utilisation of storage capacity would increase. Bad monsoon would have opposite effect. Experience over the years, however, was different from

this straight-jacket formula. Drought conditions were conducive to more business for the Corporation particularly from fertiliser companies, State Trading Corporation and Department of Civil Supplies. Eventhough the farmers did not deposit their goods with the Corporation, these agencies undertook storage operations for public benefit. Stocks of foodgrains were released only in a phased manner. On the other hand, periods of good monsoon conditions caused depletion of fertiliser stocks from the warehouses. Rate of depletion of fertilisers was more than that of deposits of foodgrains.

- (6) Prevailing market prices of agricultural goods too effect the average utilisation of storage capacity. When the market prices are high, the farmers and traders do not deposit their goods with the Corporation. Deposits increase in times of low prices.
- (7) Major public undertakings like the Food Corporation of India, State Trading Corporation, The Rashtriya Chemicals and Fertilisers Corporation, Maharashtra State Co-operative Marketing Federation, Maharashtra State Agro-Industries Development Corporation, Indian Dairy Corporation Ltd., etc., are the major customers of the MSWC.

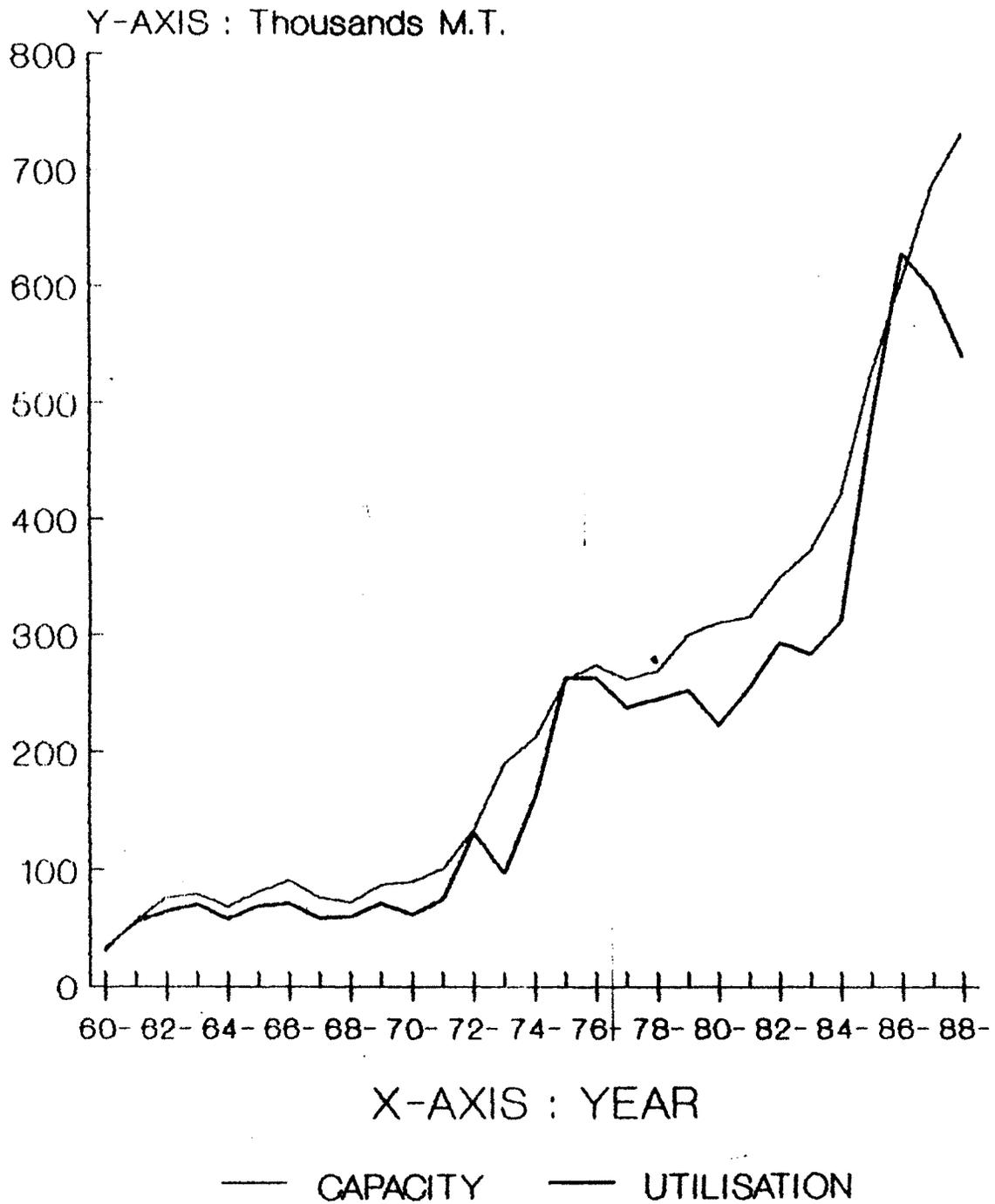
Table 3.3

Utilisation of the storage capacity available with the MSWC

Year	No. of warehouse centres	Total capacity (M. Tonnes)	Maximum utilisation (M. Tonnes)	Percentage of utilisation
1	2	3	4	5
1958-59	3	950	160	16.84
1959-60	18	9,520	6,829	71.73
1960-61	27	30,073	32,065	106.62
1961-62	40	57,200	55,300	96.67
1962-63	65	77,200	64,929	84.10
1963-64	69	79,670	70,888	88.97
1964-65	53	68,990	58,277	84.47
1965-66	48	81,347	69,918	85.95
1966-67	45	91,800	71,517	77.90
1967-68	42	77,096	58,675	76.10
1968-69	40	72,400	60,200	83.15
1969-70	37	87,522	71,553	81.75
1970-71	42	90,223	62,166	68.90
1971-72	57	1,01,423	75,053	73.99
1972-73	97	1,34,772	1,32,076	97.99
1973-74	104	1,90,880	97,349	51.00
1974-75	90	2,12,921	1,61,820	76.00
1975-76	88	2,61,710	2,64,327	100.99
1976-77	84	2,74,700	2,63,712	96.00
1977-78	84	2,62,606	2,38,971	90.99
1978-79	90	2,70,070	2,45,763	90.99
1979-80	99	3,01,503	2,53,262	83.99
1980-81	98	3,11,277	2,24,119	71.99
1981-82	100	3,16,144	2,56,076	80.99
1982-83	100	3,50,868	2,94,729	83.99
1983-84	108	3,74,700	2,84,772	76.00
1984-85	113	4,23,358	3,13,284	73.99
1985-86	120	5,27,500	4,85,300	92.00
1986-87	122	6,07,600	6,30,353	103.74
1987-88	118	6,88,100	5,98,647	87.00
1988-89	119	7,31,600	5,41,384	74.00

Source : Annual Reports of the 'MSWC'

AVAILABILITY AND UTILISATION OF STORAGE CAPACITY
OF THE MAHARASHTRA STATE WAREHOUSING CORPORATION



- (8) Private sector fertiliser companies and other private sector industries intermittently use the facility for storage of their fertilisers and raw-materials. Their decisions, therefore, cause fluctuations in capacity utilisation.
- (9) It appears that primary producers of agricultural commodities have a small share in the utilisation of the Corporation's godowns. Hence, their decisions do not cause fluctuations of larger magnitude in capacity utilisation.

3.4 DEPOSITORWISE CAPACITY UTILISATION

As per the recommendations of All-India Rural Credit Survey Committee, like other states, Maharashtra Government, with the help of Central Warehousing Corporation, established the Maharashtra State Warehousing Corporation. Its main objective is to provide warehousing facilities to farmers to prevent distress sales, deterioration and wastage of agricultural goods. The Corporation since its inception, has made noteworthy progress in providing the warehousing facility. The commercial and co-operative banks make advances on the pledge of warehouse receipts at concessional rates of

interest. Annual Reports of the Corporation mention that the Corporation as well as the State Publicity Department carried the message of warehousing to the masses in as effective manner as possible through posters, handouts, articles in press and brochures. The Publicity Department prepared and exhibited widely in the interior areas its documentary film "Preserve For Prosperity". Initially, the marketing co-operatives were offered by the MSWC an attractive rebate of 33.33 percent on storage charges, so that they could pass on the benefits of waiting power to the primary producers. Since inception primary producers are provided 15 percent rebate on the cost of storage. In spite of all these efforts made by the Corporation, it could not attract sizable business from the primary producers.

It will be quite interesting to know as to for whom the project was launched and who actually benefits from it. Userwise break-up of the data is, therefore, presented in Table 3.4.

Table 3.4

Depositorwise utilisation of storage capacity of the MSWC
(In percentages)

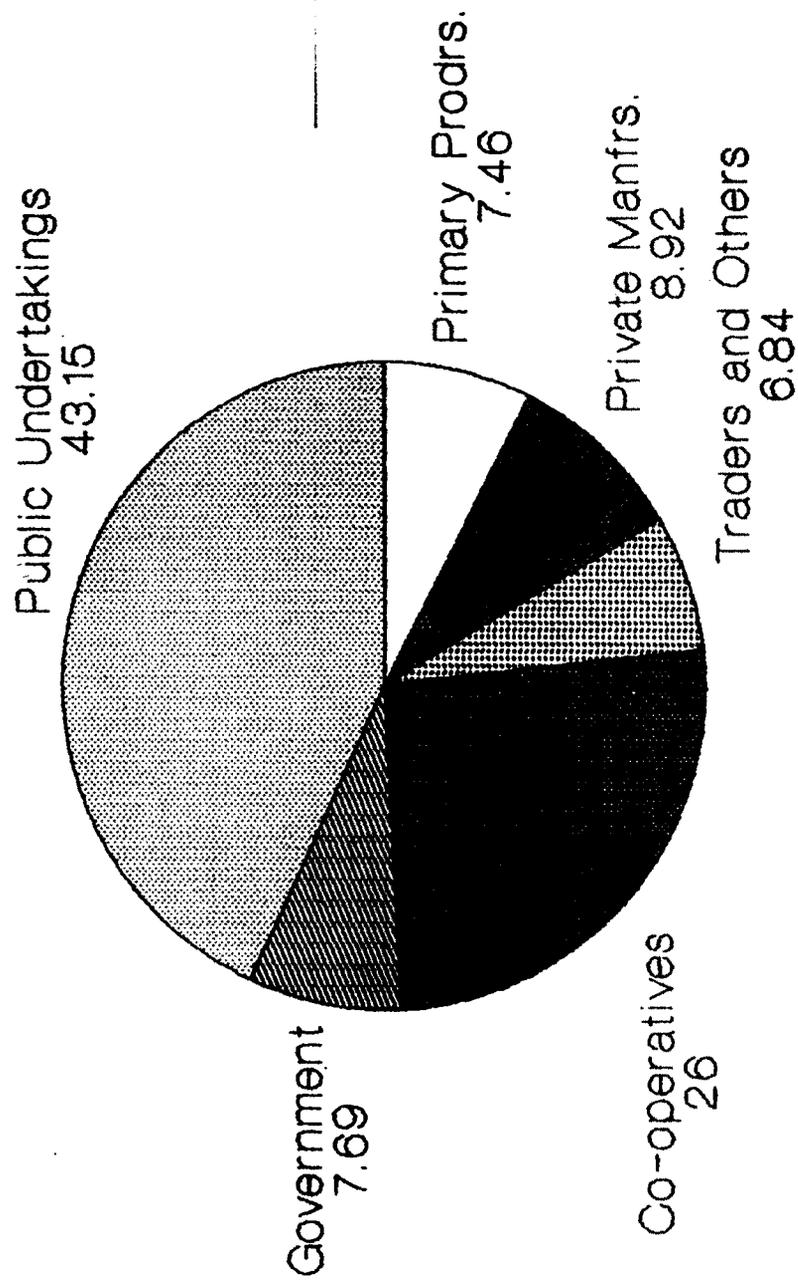
Year	Public Under-takings	Government	Co-operatives	Traders and others	Primary Producers	Private manufacturers
1	2	3	4	5	6	7
1976-77	44	19	14	10	07	06
1977-78	51	15	15	05	09	05
1978-79	53	11	18	07	06	05
1979-80	38	10	35	06	07	06
1980-81	24	08	46	09	09	04
1981-82	26	08	41	08	10	07
1982-83	32	07	34	06	10	11
1983-84	38	05	30	07	08	12
1984-85	39	06	23	09	10	13
1985-86	48	05	26	06	06	09
1986-87	52	03	26	04	04	11
1987-88	58	01	16	05	05	15
1988-89	58	02	15	07	06	12

Source : Annual Reports of the MSWC

Following are the inferences from Table 3.4.

- (1) The public undertakings which include mainly The Rashtriya Chemicals and Fertilisers Limited, State Trading Corporation of India, Maharashtra Agro-Industries Development Corporation et., have utilised the largest chunk of the available storage capacity. Their utilisation has fallen between 24 and 58 percent during 1976-77 to 1988-89.

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(1976-77 to 1988-89 Average)**



- (2) Co-operatives hold second place in utilising the storage capacity. Importantly, these co-operatives are not the primary marketing co-operatives which are supposed to help the primary producers in marketing their agricultural goods, but they are the apex organisations at the state and national level, they include the Maharashtra State Co-operative Marketing Federation, which, on behalf of the Maharashtra Government, earlier purchased cotton bales under Cotton Monopoly Scheme, National Agricultural Co-operative Marketing Federation of India, National Co-operative Consumers Federation, Maharashtra State Co-operative Cotton Grower's Marketing Federation, etc. Among these, the share of Maharashtra State Co-operative Marketing Federation was larger so long as it stored the cotton bales purchased under the Cotton Monopoly Scheme. The share of these higher-level co-operatives has showed wider fluctuations between 14 and 46 percent over the span of 13 years under reference. Average percentage for the entire period comes to 26.
- (3) In the early years the Civil Supplies Department of Maharashtra Government was storing foodgrains with the Corporation. But in recent years, as the state government has constructed its own godowns for the public distribution purpose, the share of the government

has decreased constantly and considerably. In the same manner, previously the Agriculture Department of the state government used purchase seeds and store it on Government account at various centres of the Corporation. This policy was, however, changed and the Maharashtra Agro-Industries Development Corporation Limited and the Maharashtra State Seeds Corporation were entrusted with the job of purchase and distribution of seeds. As a result of this also the government's share has decreased. The overall decline has been from 19 percent in 1976-77 to only 2 percent in 1988-89. Thus in this respect, the MSWC has been a great loser of its business.

- (4) Utilisation of the storage capacity by private manufacturers has improved from below 10 percent before 1982-83 to above it since then and remained between 11 and 15 percent. Private fertilise manufacturing companies form the main component of this category; they store their fertilisers with the Corporation.
- (5) Trader's share in the aggregate deposits is, by and large, below 10 percent, eventhough this class is normally aware of the facilities open to it. Probable reasons for their low share may be that they may have alternative storage facility either of their own or other agencies or restrictions of the Reserve Bank of

India on lending against warehouse receipts might have discouraged them from availing of the facility to a maximum possible extent.

- (6) Basically, the MSWC is established for the benefit of primary producers. How far are these facilities enjoyed by the farming class? Just below 10 percentage. Annual Reports of the MSWC maintain that the Corporation tried its level best to attract the business of primary producers through publicity and propaganda. In fact every year storage space was kept reserved for the use of primary producers. Meetings of the Board of Directors of the Agricultural Produce Market Committees were also convened in various districts for soliciting their co-operation in boosting up Farmer's custom. These efforts have, however, not produced rich dividends for the Corporation as expected with the result that the share of deposits has remained in between 4 and 10 percent with an average of 7 percent for the time series under reference.

In sum, the warehousing facility of the MSWC is being used primarily by the public undertakings which together command more than half 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, exhibit a ray of hope with their utilisation ranging between 10 and 15 percent.

3.5 COMMODITYWISE CAPACITY UTILISATION

As is stated in the Warehousing Corporation Act, 1962, the State Warehousing Corporations should run warehouses in the state for the storage of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities. Accordingly, the MSWC, through its godowns, provides storage facilities for above said commodities. Yearwise details of commoditywise capacity utilisation is shown in Table 3.5 for the years from 1976-77 to 1988-89.

Table 3.5

Commoditywise break-up of the utilisation of storage
capacity of the MSWC

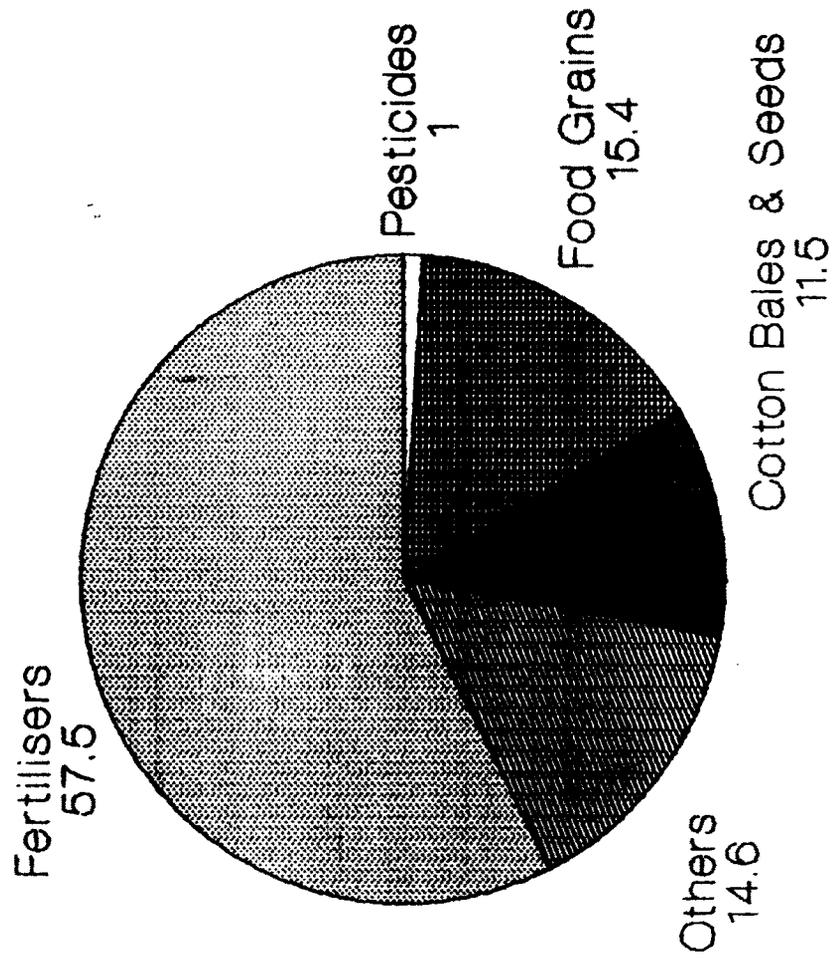
(In percentages)

Year	Ferti- lisers	Food- grains	Cotton bales and seeds	Pesti- cides	Others (cement, etc)
1	2	3	4	5	6
1976-77	64	23	3	3	7
1977-78	72	18	3	2	5
1978-79	68	13	5	1	13
1979-80	54	11	14	1	20
1980-81	44	19	21	1	15
1981-82	45	21	15	1	18
1982-83	50	17	15	1	17
1983-84	52	15	14	1	18
1984-85	51	21	11	-	17
1985-86	56	12	16	1	15
1986-87	62	8	17	-	13
1987-88	68	9	8	-	15
1988-89	62	13	8	-	17

Source : Annual Reports of the MSWC

It is evident from Table 3.5 that, fertilisers dominated the capacity utilisation. Except for 1980-81 more than 50 percent capacity was utilised for the fertilisers. Though the production of fertilisers is a continuous process, its consumption is related to a short span of time and consumers are spread far and wide all over the state. With the fast spread of adoption of improved technology, demand for chemical fertilisers has been growing fast. This factor has made the

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MSWC to construct godowns at suitable places for convenience of bulk storage of chemical fertilisers. 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. Though major portion of cultivated land in Maharashtra State is occupied for foodgrains production, marketable surplus, and thereby the surplus available for short-period storage, particularly from the producers, is rather low. Probable reason may be that the state is, by and large, a deficit one in foodgrains production so that large volume of marketable surplus is coming to the market only from bigger producers who alone may utilise the storage facility, if need be. Otherwise, a larger chunk of the stored foodgrains is a part of the government's public distribution system. The facility is thus used by the primary producers of foodgrains only marginally.

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. Storage of this

commodity is helpful more to the urban and semi-urban population than the rural population.

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 particularly from 1979-80 to 1986-87 when the capacity occupied remained between 11 and 21 percent. The years 1987-88 and 1988-89, however, brought the contribution to nearly half of the previous two years. This fall is the result of drought conditions in the state in 1987-88 and its continuing impact in 1988-89. The average occupancy during the entire period turns out to be 11.5 percent.

Finally, occasionally about 1 percent of the storage capacity was utilised for stocking pesticides. It, therefore, appears that the manufacturers of pesticides do not very much need the storage accommodation of the MSWC, as when used the load is rather low and in some years the accommodation was not at all used.

In sum, fertiliser storage occupied the lion's share in utilising the facility of the MSWC and fertilisers and foodgrains together occupied nearly three - fourths of the utilised capacity.

3.6 COST OF STORAGE

Storage charge is the price that a warehouseman fixes for his services. It is determined mainly on the basis of the

selling price of any product fixed by its producer. The MSWC is not a monopoly organisation and is functioning in a competitive field. Keeping in view the business principles, the MSWC determines its standard cost of storage for a bag of foodgrains measuring 3' x 2' x 1' and weighing one quintal as a standard unit of space. The cost is arrived at on the basis of norms. The constituents of the cost are (i) establishment expenses, (ii) rent of godowns, (iii) depreciation, (iv) fixed and variable contingencies, (v) insurance, (vi) insecticides and (vii) unforeseen expenses.

Rent and establishment expenses fall under the category of fixed cost. Increased in rent is governed by the cost of construction and the ruling market rents which in turn, depend on the cost of material and labour. Similarly, the establishment cost depend on the emoluments of the staff which are governed by the decisions of the government as the Corporation is following government pattern of pay scales and allowances. Fixed and variable contingencies include cost on weighing equipments, spray pumps, dusting machines, rat catchers, fire fightings, etc. The provision of insurance keeps the depositor safe against loss or damage due to fire, flood, theft, etc., and unforeseen expenses includes overhead expenses. Considering all these factors the MSWC fixes the cost of storage. Charges for handling, loading, unloading and extra services rendered in the interest of the depositor are

to be paid for by the depositor of goods in addition to the usual warehouse charges. Storage charge are made on monthly basis and number of days in excess of a month are charged on weekly basis. Where storage is for less than a month, the charge is for the whole month.

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'. These 'special-rated warehouses' are in only two places, i.e., Thane and Wadi [Hingana, near Nagpur]. The storage rates of these two centres are much higher than 'standard-rated' and 'high-rated warehouses'. The storage rates of 'high-rated warehouses' are higher than 'standard-rated warehouses'. This classification is done on the basis of all types of expenses, which the Corporation has to bear for running the warehouse centre. So all commodities are carrying three storage charges. For e.g., since 1-11-1988, the storage charges for foodgrains for 'standard-rated' centres are 90 paise for 100 kg bag per month, for 'high-rated' centres 110 paise and for Wadi (Hingana) and Thane 130 paise.

Keeping in view the objectives of establishment of warehousing corporation, since its inception the MSWC has been giving 15 percent rebate in the storage charge to the primary producers. The Corporation claims that it does not include profit element in the fixation of storage charges. The profit is expected to be earned by better utilisation, quick turnover and commercial rates for cash crops and costly commodities.

The 'standard-rates' of storage charges prevalent from time to time are indicated in Table 3.6.

Table 3.6

Cost of storage

Sr. No.	Effective Date	Rate per bag per month (paise)
1	1-10-1976	35
2	81- 8-1985	70
3	1-11-1986	75
4	1-11-1988	90

Source : Official records of the MSWC

After November, 1988, the Corporation has not revised the storage charge. It claims that, though the costs of construction of warehouses as also of capital goods and services, including wages, have been increasing continuously, comparatively the increase in the standard rate of storage charges has been considerably lower. All these rates carry 15

percent rebate for the primary producers. It means presently farmers have to pay only 75 paise for each bag for one month as cost of storage, which is not so high. Even at this cost of storage, the question arises as to why are the primary producers not coming forward for utilising storage capacity of the MSWC ? The researcher attempted to get a clarification of this question from the officials of the Corporation. One of the explanation's given was that often the primary producers were afraid of the practice of recovery of their loans from co-operative institutions or banks out of the sale proceeds of the stored lots. Secondly, the farmers at large had small amount of marketable surplus. Thirdly, primary producers experienced many difficulties in taking loans against warehouse receipt. To a certain extent, these reasons appear to be genuine, but there must be some other reasons also which must be prohibiting these people from taking advantages of the warehousing facility provided at reasonably lower cost.