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# IMPACT OF WAREHOUSE SECTOR IN AGRICULTURE DEVELOPMENT - A STUDY IN WARANGAL RURAL AND URBAN DISTRICTS IN TELANGANA STATE

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**WARANGAL URBAN**

## ABSTRACT

Warehousing in India has been linked to food security and agricultural development. The Central Government established state owned and controlled warehousing corporations to enable better storage of agricultural commodities in the 1950s. Warehousing creates time utility to goods this function involves the storing of goods from the time they are produced until they are needed for consumption goods, which are produced seasonally, must be stored so that they are made available to consumers throughout the year. Some goods may require processing such goods must be stored as a safe gourd till such processing takes place and risk bearing, financing, price stabilisation, ancillary services. Over the last two decades, the need for warehousing has also been felt in non-agricultural sectors such as retail commerce. Warehousing is now seen as an integral part of the supply chain where goods are not only stored for safekeeping, but also where other value processes are implemented, thereby minimising wastage and costs. In addition, warehousing has become an essential factor that enables food producers to access credit in the form of pledge financing. Warehouses are primarily licensed by state governments under state warehousing laws. State laws which contain legal consequences for offences committed under them vary from state to state, and are applied inconsistently across the country. As a result, there is no national standardisation for warehouse regulation and enforcement. Market participants therefore rest heavily on contractual processes to detect violations, impose penalties and adjudicate disputes. The agriculture sector is spinal cord of the Indian economy and it is remaining an important sector in India, despite India, despite has been declining its share in the Gross Domestic Product. It has contributed 12.9 percent of the state's Gross Value Added and also about 55.6 percent of the population still depends on agriculture as its major source of employment is Agriculture employment. Warehousing facilities are determined the level of agricultural development in India and as well as Telangana from the foregoing facts and figures, some very drastic measures are taken to improve the storage capacity of food grains, the wastage of food grains cannot be curbed which otherwise could be utilized for feeding millions of poor people. From augmenting the existing storage capacity by construction of new ones through various means both public and private including partnerships, the need of the hour is to revamp the existing storage management of food grains in the country and make people and agencies accountable and responsible for their jobs of ensuring food security. Integration of the entire storage business in India through MIS would go a long way in ensuring timely decisions are taken for optimum utilization of the existing facilities.

## KEYWORDS

Warangal, warehouse sector, agriculture development.

## JEL CODE

O13, Q19.

## INTRODUCTION

Warehousing in India has been linked to food security and agricultural development. The Central Government established state owned and controlled warehousing corporations to enable better storage of agricultural commodities in the 1950s. Over the last two decades, the need for warehousing has also been felt in non-agricultural sectors such as retail commerce. Warehousing is now seen as an integral part of the supply chain where goods are not only stored for safekeeping, but also where other value processes are implemented, thereby minimising wastage and costs. In addition, warehousing has become an essential factor that enables food producers to access credit in the form of pledge financing. Warehouses are primarily licensed by state governments under state warehousing laws. State laws which contain legal consequences for offences committed under them vary from state to state, and are applied inconsistently across the country. As a result, there is no national standardisation for warehouse regulation and enforcement. Market participants therefore rest heavily on contractual processes (that are devoid of any statutory backing) to detect violations, impose penalties and adjudicate disputes. The agriculture sector is spinal cord of the Indian economy and it is remaining an important sector in India, despite India, despite has been declining its share in the Gross Domestic Product. The agricultural sector plays a pivotal role in the growth of the economy and in lives of the people in Telangana state. It has contributed 12.9 percent of the states Gross Value Added and also about 55.6 percent of the population still depends on agriculture as its major source of employment is agriculture employment. Agriculture provides food-grains for growing population, sufficient a food grain is crucial for achieving food security and alleviation of poverty. Thus, a dynamic farm economy can make a significant contribution to the overall economic and social development of the State. Without agricultural production, man can't live and without irrigation facilities, man can't have agriculture. With this statement, we can understand the significance of the farm sector and water facilities for the sustenance of man's life. This is true in the case of developing countries like India and also Telangana state.

A grain saved is a grain produced. These golden words remain as a mere proverb when one visualises the quantum of post-harvest wastages and losses of agricultural produce due to inefficient supply chain management. The reason for such huge post-harvest losses mainly attributes to lack of scientific storage facilities and improper transportation, poor front end infrastructure, such as inadequate warehousing facilities, redundant food processing technology and farmers inaccessibility to value-added services. It has been estimated that about 65 percent of their total produce are held by the farmers for their consumption and use which is stored in a crude and unscientific method. The balance quantity is supplied to the central pool and delivered at the nominated warehouse or at the local mandi earmarked for procurement or delivery. The procurement agency collects the quantity deposited to the central pool by the farmer and transports the same to the FCI or nominated warehouse. Often the stock stored in the warehouses remain in storage for more than its shelf life due to want of off-take of stock by allottees like Targeted public distribution system (TPDS) and flour mill owners. Such long storage, if not taken proper care of, causes damage to the stock. Since the stock stored in the warehouse is not lifted, the storage space cannot be utilized for fresh arrivals of the ensuing season. For want of covered storage space, FCI and other storage agencies are resorting to CAP1 storage (Open storage) of food grains that too without following the norms for such grain storage. As per the scientific storage policy laid down for open storage, the stack is required to be turned over every six months and under no circumstances should food grains be stored under CAP cover for more than a year. With the advent of Container Freight Stations (CFS), Bonded Warehouses and Industrial warehouses, the private participants and investors on agricultural warehousing including PSUs, are diverting their resources to such economically more attractive and viable options. Private sector intervention should be encouraged by soft loan facilities for construction of agricultural godowns at potential locations and provide subsidy and tax incentives to such entrepreneurs. Perhaps, such positive approach from the part of the planning commission and recommendations of the inter-ministerial committees of the Govt. may go a long way to narrow the gap between production and storage requirements and feed thousands of poverty ridden human population. Government is planning to take steps to utilize vacant government land with railways and other government agencies. As a part of this initiative, a joint venture between CWC and IR has resulted in and Rail side Warehousing Company limited which is constructing godowns at selective railheads.

India holds the second largest agricultural land in the world with approximately 179.9 million hectares under cultivation. The country has emerged as a major player in agriculture in the global scenario. Agriculture accounts for 14 percent of GDP and 11 percent of India's total exports. In FY 2013, total food grains production in India reached an all-time high of 263.3 million tonnes (MT). Rice and wheat production stood at 105.3 MT and 94.9 MT respectively, the government buys food grains from the farmers but does not have the space to store it, the food Corporation of India (FCI) has insufficient number of grain silos (modern storage facilities), and covered godowns with adequate storage capacities. Hence, grains are stored in outdoors under CAP storage (Cover and Plinth) across the country. This makes grains prone to rodents, moisture, birds and pests. Unexpected rainstorms and weather makes matters worse, every year tonnes of food grains go waste because of inadequate storage and infrastructure facilities. The wastage of fruits and vegetables is even higher than grains. Therefore, food logistic chain in India needs huge investment in providing proper storage facilities. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. The warehousing capacity available in India, in public, cooperative and private sector is about 94.526 million MTs and as per Government's estimates, additional 35 million MTs warehousing capacity is required during the 12<sup>th</sup> five year plan period for the storage of all major crops. In the current year budget announced by the finance Minister, an allocation of 5000 Cr INR has been made for warehouse infrastructure fund, keeping in view the urgent need for availability of scientific warehousing infrastructure. Recently, private sector participation in agriculture warehousing has also increased, making this segment more competitive but lots more needs to be done. The issues and challenges facing the agricultural warehousing, especially in the food grains storage facilities sector and attempt to find possible solutions. The study is based on secondary data available on the current demand and supply scenario in the backdrop of key acts/policies in the sector. Keywords: storage infrastructure, demand and supply, potential, challenges.

## REVIEW OF LITERATURE

The problem of wastage of food grains in a country like India where 22 percent 3 of Indians fall below the official poverty line is nothing but criminal. Even with less than 60 percent crop yield, the storage capacity in the country is woefully short. As in June 2011, FCI was holding 65.5 million MT of wheat and rice against the buffer and strategic norms of 31.94 million MT of food grains. This is against the backdrop of an increased production of principal food grains to 263.2 million MT in 2013-14, an increase of 23.5 percent during the decade. With increased procurement of food grains by Food Corporation of India (FCI), the principal agency entrusted with the task of feeding the millions of Indians, the storage losses also have increased. The losses are due to both non-availability of covered storage facilities with the agencies and also due to poor management of available storage at the farm level and the organized storage levels. The post-harvest losses in India amount to 12 to 16 million metric tons of food grains each year, an amount that the World Bank stipulates could feed one-third of India's poor. The monetary value of these losses amounts to more than Rs. 50,000 Cr per year (Singh, 2010). Ramesh (1999) reported that high wastage and value loss are due to lack of storage infrastructure at the farm level. As per estimates available, the storage gap in warehousing capacity in the next 5 to 10 years is around 35 million MT. There is therefore a need of not only sufficient modern warehousing capacity but also ensuring scientific storage methodology to be followed in the storage facilities existing.

While this system which directly links farmers with the processing industry would reduce the problem of chocking of the markets and also the costs to a considerable extent, it would involve a different type of relationship between the farmers and the warehousing units. Far reaching changes like this and many others have transformed the systems and practices in agricultural marketing, including that of storage and warehousing. One of the main objectives behind promoting storage in the country has been to make use of warehouse receipts as an instrument to obtain credit from the commercial banks and other financial institutions. It was also the intention of the government to authorize the Reserve Bank of India to make advances on the promissory notes of any scheduled Bank or state Co-operative Bank supported by documents of title of goods. Some headway in this direction has no doubt been made, however the warehouse receipt has not yet become a fully negotiable credit instrument in the same way as promissory notes or bills of exchange or cheques. As a result, warehouses have so far failed to be fully instrumental in ensuring timely credit/ financial assistance to the growers at large. The Rural Credit Survey Committee contemplated that the three agencies recommended by it for providing warehousing facilities, viz. the central warehousing corporation, the state warehousing corporation and the Co-operatives should function in a co-ordinate manner and operate in a clearly defined mutually exclusive area. Thus, while establishment of warehouses in centres of national/inter-state importance will be the function of the central warehousing corporation, establishment of warehouses at centres of state importance will be the function of the state warehousing corporations. In rural and semi-rural areas, co-operative were expected to construct godowns. The programmes of the two warehousing corporations and the cooperatives were thus intended to be complementary to each other and there should normally be no conflict of interests among the three agencies. With the expansion of the warehousing facilities in many of the centres by the central and state warehousing corporations and large expansion of co-operative godown programmes, it has been suggested that unless some amount of co-ordination is affected among these three agencies, there is always the risk of duplication of efforts with consequential under-utilization.

## BACKGROUND OF THE STUDY

It is well known that the small farmers do not have the economic strength to retain the produce with them till the market prices are favourable. There has been a felt need in the country to provide the farming community with facilities for scientific storage so that wastage and produce deterioration are avoided and also to enable it to meet its credit requirement without being compelled to sell the produce at a time when the prices are low. The main objectives of the scheme include creation of scientific storage capacity with allied facilities in rural areas to meet the requirements of farmers for storing farm produce, processed farm produce and agricultural inputs; promotion of grading, standardization and quality control of agricultural produce to improve their marketability prevention of distress sale immediately after harvest by providing the facility of pledge financing and marketing credit; strengthen agricultural marketing infrastructure in the country by paving the way for the introduction of a national system of warehouse receipts in respect of agricultural commodities stored in such godowns and to reverse the declining trend of investment in agriculture sector by encouraging private and cooperative sectors to invest in the creation of storage infrastructure in the country. 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 stress the need of warehousing in India. On the basis of the recommendations, the government of India passed agricultural produce (development and warehousing) corporation act, 1956, which was later on replaced by warehousing corporation act, 1962 and thus established central warehousing corporation (CWCs) at the national level and state warehousing corporations (SWCs) at the state level.

## OBJECTIVES OF THE STUDY

1. To study the impact of warehouse sector in agriculture development in the study area, and to arrange facilities for transport, seeds, manures fertilizer, warehouse.
2. To find out whether the farmer's bargaining power increased, to run warehouses provides quality protection and production.
3. To evaluate the profits (surplus) and benefits of farmer's by bargaining capacity, to describe the current warehousing practices in public and private, and to lay a future plan of agriculture warehousing in India.
4. To act as an agent of the Government for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities.

## HYPOTHESIS OF THE STUDY

1. The bargaining power of farmer's increased due to availability of warehouses in the Agriculture development.
2. The profits and benefits of farmer are increased due to increase in bargaining power of farmers their crops and products.
3. The farmers need more awareness about the warehouse sector in rural Telangana particularly Warangal rural and urban districts.

## METHODOLOGY

The research is basically based on secondary data available in the various books, journals, publications, magazines, articles, news paper and electronic information domain and various studies carried out on storage management and movement of food grains in FCI, report of the working group on warehousing development and regulation for the 12<sup>th</sup> plan year by planning commission, the present study is concentrated on the impact of warehouse sector on agriculture development in Warangal rural and urban districts of Telangana state the paper tries to analyze the issues in the food grain storage sector using facts and figures and recommend possible solutions.

## SCOPE OF THE STUDY

The study is focused on the impact of warehouse sector in Telangana particularly in Warangal rural and urban districts; the agriculture development is influenced by the availability of storage/warehousing facilities in India and Telangana.

## LIMITATIONS OF THE STUDY

Storage/warehousing of food grains is a big problem, nearly 10 percent of our harvest goes waste every year in the absence of proper storage facilities. This colossal wastage can be avoided by developing scientific warehousing facilities; the government has taken several steps to provide storage facilities in Telangana state.

## DISCUSSION

The prevalence of the subsistence farming and below-subsistence could be attributed to exploitation arising out of non-availability or inadequate or defective warehousing is the loss of agricultural produce in transit. It is estimated that from the time it is produced till the time it is lost, the spill over or wastage ranges between 5 percent to 10 percent. That loss is borne by the producer and the poor farmer is further squeezed. The positive aspect of warehousing is that it enhances waiting capability of the agriculturists so they can sell their produce when remunerative prices are offered in the market. The development of scientific and technical knowledge and its application enables the agriculturists to store even perishable commodities like onion, the emergence of cold-storage facility has proved to be a boon to the agriculturists, the storage and warehousing facilities have given remunerative prices for their produce and have gone a long way in improving the lot of the rural poor. It will not be out of place to mention here that one of the significant reasons for the success of the green revolution has been the availability of warehousing and establishment of relationship between the storage of agricultural goods and the development of agriculture as well as the rural economy with the help of the centre-periphery theory of development.

In the context of agricultural development, the warehousing development cannot be sidelined. In this regard let us bring out the relationship between development of warehousing & agriculture which includes rural development too. Similar to transportation, storage is also an economic function. It adds time utility to goods because there is always a time lag between production and consumption. During this period commodities remain in storage of somebody - the producer, the middleman or the consumer. But in most cases, it is the intermediary who renders this service as neither the producer nor the consumer or the user possesses sufficient money and/or facility to store them. In short, storage is the process of carrying forward surplus stocks for future consumer. The seasonal character of agricultural production and continuous consumption throughout the year makes storage an integral part of agricultural marketing. Moreover, agricultural production is prone to cyclical changes which mean a bumper crop in one year is not only carried forward to the year of storage but it also facilitates availability of the produce throughout the year. Briefly speaking, a properly well-organized system, of storage is a sine qua non for an orderly system of marketing. Significance of warehousing is storage for the purpose of commercial gain by specialized agencies. A warehouse is an establishment consisting of large technical personnel in charge of goods, stored under the care of a warehouseman with safeguards provided by law and subject to the supervisory control of a public authority. Warehousing comprises many functions its main component is storage, it is often viewed as a mere auxiliary service. The term warehousing encompasses the facilities and services incidental to or connected with storage, transport, handling and distribution of inputs, finished goods and all kinds of other commodities, marketing covers all the business activity involved in the flow of goods and services from the producer to the consumer, warehousing is an important chain in the system of marketing, no scheme of marketing can be complete without a reliable and efficient system of warehousing, the establishment of a well-planned network of warehouses is important both for domestic and internal trade and public distribution of essential commodities. Warehousing is an essential infrastructure for trade, commerce and physical distribution of agricultural goods. The serious problem which the underdeveloped countries are facing is wastage of food grains particularly, inadequate transport and storage facilities cause much waste and are directly responsible for food shortage, at least partially, which is already acute. This underlines the importance of an appropriate storage system which can reduce the preventable losses the advantages of efficient system of warehousing in the field of agriculture development in India and Telangana.

Warehousing/storage facilities can be boosted by small cold storage or granaries at village level which can be established from panchayat funds and loans to the village society this eliminates dumping of excess crops in the market yard. A 700 ton cold storage cum warehouse will cost around Rs. 1.5 crores which is very reasonable cost for a group of villages or a large panchayat, provided the state or union government funds the cost. E-Mandis will also help the farmers to correctly predict the prices and thus market them profitably. At the national level an agricultural strategy or policy to improve information exchange, national level cold storage chains and logistic network if Wal-Mart can do, then Government of India can also do is the need of the hour. Proper management of PDS has to be done to cut down wastes so that a reliable estimate of the food grain needs will be made. The excess after keeping reserves for a potential drought year can be exported provided the quality is maintained by means of proper storage. Food wastage can thus be cut down and agricultural trade balance can be improved if there is a national level plan, to acquire and build godowns and warehouses at suitable places in India, to run warehouses for the storage of agricultural produce, seeds, fertilizers and notified commodities for individuals, co-operatives and other institutions, to act as an agent of the govt. for the purchase, sale, storage and distribution of the above commodities, to arrange facilities for the transport of above commodities, to subscribe to the share capital of state warehousing corporations and to carry out such other functions as may be prescribed under the act the central warehousing corporation is running air-conditioned godowns at Calcutta, Bombay and Delhi, and provides cold storage facilities at Hyderabad. Special storage facilities have been provided by the central warehousing corporation for the preservation of hygroscopic and fragile commodities. The corporation has also evolved techniques for the storage of spices, coffee, seeds and other commodities, separate warehousing corporations were also set up in different states of the Indian union, the areas of operation of the state warehousing corporations are centres of district importance, the total share capital of the state warehousing corporations is contributed equally by the concerned state govt. and the central warehousing corporation.

## FINDINGS OF THE STUDY

1. Storage of food grains in open space, Poor condition of storage facilities, Storage of old crops leading to damage of food grains, for optimum capacity utilization of the existing capacity,
2. Timely and proper planning of movement and distribution of food grains across pan India is a pre-requisite, non-utilization of available storage capacity for surplus stock of wheat.

## CONCLUSION

It is concluded the level of storage warehousing facilities are determined the level of agricultural development in India and as well as Telangana from the foregoing facts and figures, some very drastic measures are taken to improve the storage capacity of food grains, the wastage of food grains cannot be curbed which otherwise could be utilized for feeding millions of poor people. From augmenting the existing storage capacity by construction of new ones through various means both public and private including partnerships, the need of the hour is to revamp the existing storage management of food grains in the country and make people and agencies accountable and responsible for their jobs of ensuring food security. Integration of the entire storage business in India through MIS would go a long

way in ensuring timely decisions are taken for optimum utilization of the existing facilities. Some of the recommendations, not in any particular order, for ensuring that the storage losses are minimized are discussed as under with proper foresight and planning in lifting the stock of the central pool in time from SGAs, money paid as hiring charges and carry over charges to SGAs can be utilized for construction of new storage spaces Adequate manpower and supervision is required for scientific and safe storage in CAP storage, to save costs, proper plinths should be constructed in vacant government lands which can be used for temporary storage of food grains during peak procurement seasons. Hiring charges of FCI would continue to shoot up substantially in future unless owned storage capacity is augmented proportionately as against creation of storage capacity for guaranteed hiring by FCI Poor and reckless management and cumbersome paperwork leading to non-availability of storage space even if the space is held by damaged stock for want of disposal approvals from FCI should be dealt with appropriately by decentralized decision making. Non adherence of safe and scientific storage methods should be dealt with an iron hand and the strictest of punishment is to be enforced and accountability fixed. The total number of covered storage required for meeting the deficiency of 35 million MT is 7200 godowns at the rate of 5000 tonnes per godown. At approximately 1,450 INR21 per tonne requirement of funds for the godowns, the total funds requirement at current rates for constructing 7200 numbers of covered storage is 5,075 Cr INR excluding the cost of land. Alternative route like Private Entrepreneurial Guarantee (PEG) scheme to be encouraged vigorously, need of the hour is to create a central data base with daily updates from all warehouses as to the availability of covered, CAP storages and silos to better manage the stocks with adequate responsibility and accountability accorded with adequate and competent manpower with high level supervision and quick decision making freedom and delegation of powers given to the nodal heads. Timely and systematic evacuation planning can lead to utilization of vacant storage space and minimize payment of carry over charges to SGAs which can come in handy for construction of covered storage adequate planning well in advance for requisitioning of railway rakes can lead to minimization of losses and increase the economic and efficient utilization of available storage spaces. Proper integration of all regions with an efficient and robust MIS manned by efficient and competent professionals will definitely bring about the much needed change in the storage sector. Intervention of state governments in identifying and handing over land for construction of covered storage spaces without undue delay in obtaining of various clearances will speed up addition of storage capacity. FCI is yet to implement the transportation of food grains from farm to silos by specially designed trucks which were an important element of modernization and up gradation of bulk grain handling infrastructure facilities

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