UNIT 4 WAREHOUSING

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4.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the concept of warehousing
- identify the elements of warehousing
- describe the functions and importance of warehousing
- describe the system of public warehousing in India
- spell out the diversified warehousing activities of Central Warehousing Corporation

4.1 INTRODUCTION

Warehousing has been one of the most important component in the field of agricultural or industrial activity as a whole. It forms an integral part in the orderly marketing chain as an important component of the logistics of distribution. For a developing economy, a warehousing system which provides adequate and safe storage of products on scientific lines is vital.

Warehousing was initially linked to the age of agriculture. The descriptions in genesis of the use of grenaries to store food and thus prevent famine in Egypt emphasises the social benefit and commercial utility of warehousing. As we entered the industrial era, warehousing was recognised as a useful resevoir for mass production. When actual demand was unknown or uncertain it was prudent for a manufacturer to build a stock of finished goods so that the customer could get it without delay. When capital was cheap and the concept of Just In Time (JIT) was unknown, the philosophy of marketing was to ensure that no sale was lost for want of inventory.

The industrial era was accompanied by major changes in transport and international trade. Warehousing has a "Ham and Eggs" relationship with transport and the warehouse design is influenced by the predominant transportation available. Store houses constructed at piers served as a consolidation and distribution point for goods moving by ship, and warehouses constructed at rail centres would act as the Terminal Warehouses. Similarly, the rail road industry develops storage in transit which allows the user to move goods from origin to destination. In this unit, you will learn about the concept and functions of warehousing, its various alternatives and the warehousing network in India including custom bonded warehouses, operation of container freight stations, transit warehouses and air complexes.

4.2 CONCEPT OF WAREHOUSING

The words 'warehouse' and 'godown' are synonymous. The terms like warehouse, depositor, warehouseman, etc. have been duly defined in the relevant State Warehousing Acts under which public warehouses in India are licensed and regulated for operation for specific commodities. The definitions of these terms as given in the Bombay Warehousing Act, 1959, are as follows :

Warehouse means any building structure or other protected enclosure which is used or may be used for the purpose of storing goods on behalf of the depositors but does not include cloak rooms attached to hotels, railway stations, the premises of other public carriers and the like.

Depositor means a person who deposits goods with a warehouseman for storing in his warehouse and includes any person who lawfully holds the receipt issued by the warehouseman in respect of the goods and derives title too by endorsement or transfer from the depositor or his lawful transferee.

Warehouseman means a person who has obtained a licence under this Act for the purpose of carrying out his business of warehousing.

The rights and obligations of warehouseman are outlined in the respective State Warehousing Acts and the rules framed thereunder. The warehouseman is required to take care of the goods deposited in his custody as a man of ordinary prudence would take care of his own goods. He acts as a bailee and accepts goods for safe keeping. He charges from the bailer certain consideration called storage charges. He acquires lien on the goods deposited with him for recovery of his dues.

4.3 ELEMENTS OF WAREHOUSING

The major elements of warehousing are : (1) space, (2) equipment, and (3) people. The warehouse space is a commodity, and like any other commodity, its price can show great volatility with changes in demand. At times, this commodity can become so scarce that the acquisition of additional space seems nearly impossible. Scarcity or high cost of space can be alleviated through changes in use or specifications of the other two warehousing components - people and equipment. However, where space is relatively cheap, people and equipment are used in a totally different fashion.

Equipment consists of material handling devices, racks, forklifts, conveyors, bag stackers, and all of the hardware and software used to make warehouse functional. While some equipment is specially designed to save space, some equipment is used for preservation treatments like sprayers, fumigation covers etc. in case of perishable commodities. The useful life of most

warehousing equipment is substantially shorter than the useful life of the warehouse building. While warehousing equipment depreciate in value, the warehouse building may appreciate in value over time.

The most critical component in warehousing is **People.** The personal performance of warehouse workers often makes the difference between high and low quality warehousing. By comparison, the variations in quality of building and equipment are typically small.

Thus, a judicious employment of the three components, namely, space, equipment and people normally can affect the performance and the overall cost of the warehousing facility. Efficiency in warehousing, however, starts with planning for the requirement and matching resources against the actual need.

4.4 FUNCTIONS OF WAREHOUSING

Warehousing bridges the gap between the economic methods of production and the needs of the consumer. The task is to provide what is required, when it is required, in the conditions in which it is required, and to do all these things economically. In essence, warehousing provides time and place utility for any product through efficient management of space and time.

To evaluate the role of warehousing in business one needs to appreciate the ways in which warehousing functions and adds value to products. The common functions of warehousing are:

1 Stockpiling
2 Product Mixing
3 Consolidation
4 Distribution

Stockpiling : It refers to the use of the warehouse as a reservoir to handle production overflows. Such reservoirs are needed under two situations (i) seasonal production and level demand and (ii) level production and seasonal demand. For example, the canner of tomato products builds a warehouse inventory at harvest time, while customer demand for the product is fairly level throughout the year. Against this, in case of the toy manufacturer, the highest demand comes at certain seasons or holidays, but the manufacturer may need to stockpile in order to accommodate seasonal demand. In either case, the warehouse is the reservoir used to balance supply and demand.

Product Mixing : A manufacturer who has product-oriented factories in different locations also has the opportunity to use a product mixing warehouse to combine the items in the entire line. For example, one food manufacturer has factories in several communities, with each factory to order full carloads or truckloads containing a mixture of the entire line, warehousing points are selected at locations that permit economical mixing of the product.

Consolidation : It refers to the use of warehousing for gathering goods that are to be shipped to final destination. Warehousing costs are justified by savings in outbound shipping costs achieved through volume loads. In one case, a fast-food company uses consolidation warehouses to serve clusters of retail stores, thereby reducing costs and frequency of small shipments to the stores. Suppliers of the food company are instructed to place volume loads of their products in these consolidation centers. This enables the fast-food company to cut its transportation costs by moving its supplies closer to its food serving outlets. At the same time, the food retailer reduces inventory costs by arranging for its suppliers to retain title to these inventories until they are shipped from the consolidation center.

Distribution : It is the reverse of consolidation. Like consolidation, it is justified primarily by the freight savings achieved in higher volume shipments. Distribution involves the push of finished products by the manufacturer to the market, whereas consolidation involves the pull of supplies by the customer. Both consolidation and distribution provide service improvements by positioning merchandise at a convenient location. Both involve cost tradeoffs that balance warehousing expenses against transportation savings. Both provide improved time and place utility for inventories.

4.5 WAREHOUSING AS AN INSTRUMENT OF ECONOMIC DEVELOPMENT

No economic sector is free from storage. In the primary sector it is necessary at the farm and natural resource level, in the secondary sector it is essential at the processing and manufacturing level, and in the tertiary sector it is inevitable for the domestic, import and export trade.

One of the indicators of economic development of a country is the growth of its storage facilities . The necessity for storage arises fundamentally out of lack of adjustment between the time and place of production of goods and time and place of their consumption. Storage is also required for inter-temporal and inter-spatial adjustments. The need for storage also arises from division of labour.

Any programme or project of agricultural and industrial development should have component of storage/warehousing . Those who have ignored this important aspect of physical distribution at the stage of initial planning have learnt it the hard way. It is now recognised that these facilities require careful planning.

Warehousing is an important link in the chain of marketing. Warehouses add to the time and place value of goods. These also smoothen out fluctuations in supply and demand which are often influenced by natural events and national polices. With the gradual change in the pattern of production, intra and interstate trading activities, modes of transport and the systems of marketing, different types of warehouses have emerged to suit the requirements of trade. Wherever there is trade and commerce, there is need for warehousing services. Warehouses provide flexibility and versatility in distribution and movement of goods, space cost and labour cost economy and accurate budgeting of distribution costs.

Check Your Progress A

1 Define 'warehouse'.

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2 Which is the most critical component in warehousing? How does it affect the quality of warehousing?

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3 State the obligations of a warehouseman.

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4 State whether the following statements are True or False.

i) Warehousing has 'Ham and Eggs' relationship with transport.

ii) Warehousing creates gaps between economic methods of production and the needs of consumer.

iii) Warehouse and godown serve two different purposes.

iv) High cost of space can be alleviated through changes in use of specifications of the other two warehousing components.

v) Both consolidation and distribution involve cost trade off that balance warehousing expenses against transport swings.

vi) Storage has no relevance to inter-temporal and inter-spatial adjustments.

4.6 WAREHOUSING ALTERNATIVES

Depending upon the extent of user control, the following three types of warehousing alternatives are available.

1 Private Warehouse

2 Public Warehouse

3 Contract or Dedicated Warehouse.

The **private warehouse** is operated by the user and offers the advantage of total control. Where storage volume is large and handling volume is constant, the private warehouse is often the most economical. However, the private warehouse carries the burden of fixed cost and total exposure in the event of labour disruption. Warehousing clearly has its own required management skills, and the private warehouse operator must attract and maintain such skills in his management team.

The **public warehouse** is an independent unit which offers warehousing services to more than one user. The public operator does not own the merchandise that is stored and, usually, the warehouse company is independent of the firms owning the inventory. By serving a number of customers, the warehouseman is able to balance the variations of inventory or of handling the workload, and, therefore, develops relatively level demands for storage space and personnel. As an independent contractor, the public warehouseman is immune to involvement in the labour disputes of any clients.

A public warehouse is required to obtain a licence from the Licensing Authority. The Licensing Authority satisfies itself about the storageworthiness of the godown before granting a licence. The warehouseman is also required to obtain weigher, grader and sampler licences. A licensed warehouse can issue a receipt for the goods deposited in the warehouse in the prescribed form called a Warehouse Receipt. This receipt may be marked as Negotiable or Non-negotiable. If the Warehouse Receipt is Negotiable, the Depositor can draw advance from any bank against the pledge of the Warehouse Receipt or sell the goods without physical handling.

The **contract or dedicated warehousing** is a combination of public and private warehousing services. Unlike the public warehouse which offers a month to month agreement, the contract warehouse usually has a long-term arrangement. This contract may be used to govern supplemental warehousing services such as packaging, assembly, or other extraordinary activities. In such cases, the contract provides an element of stability in procuring services.

4.7 ADVANTAGES OF A PUBLIC WAREHOUSE

The advantage of using a public warehouse are:

1 Storage facilities can be availed of at desired locations as and when required, and at a known cost.

2 The goods can be despatched to the warehouses with the warehouseman as the consignee for the clearance of the goods at the railhead and transportation to the warehouse.

3 The goods can be delivered or despatched to the nominees/allotees of the depositor.

4 Entire inventory management is done by the warehouseman and the depositor is completely free from these costs and botherations.

5 The goods are handled properly and preserved scientifically by the trained technical personnel without any damage or deterioration during handling and storage.

6 The goods can also be insured against all risks like fire, flood, thefts, etc. at nominal cost and the depositor is indemnified against such losses.

7 The goods can be kept in the public warehouse till the market price is found remunerative enough for the disposal of goods and, thus, distress sale can be avoided.

8 Advance can be obtained against the pledge of the warehouse receipt from banks.

9 Uncertainties in the availability of raw materials or finished products due to supply dislocation are avoided.

10 Public Warehouse helps in the physical distribution of goods like foodgrains, fertilizers, public distribution items, consumer goods, etc. and, therefore, helps in marketing of products.

11 Public warehouse can also be used for grading, standardisation and packing of products, if the arrangements are on dedicated and long term usage basis.

4.8 COST STRUCTURE

Warehousing constitutes a significant portion of logistics cost which is the aggregate of the following :

1 Warehouse operating costs,

2 Warehouse inventory costs,

3 To and fro transport costs, and

4 Handling costs.

All warehousing costs are a mixture of fixed and variable costs. The fixed costs in a warehsouing operation account for more than half of the overall costs in that operation. To these costs the third party warehousing operator must add a profit. However, in deciding the warehousing/storage charges, the public warehouseman must decide what level of unit throughput will be used to establish the rate.

Warehousing is a capital intensive industry. It has relatively high ratio of fixed assets. Suitable/ ideal land for construction of warehouse is often not available, and wherever it is available the prices are prohibitive. In addition, the cost of construction is also going up.

The rate of return from warehousing business is very low and gestation period is very long. Warehousing industry, therefore, needs government support. Public warehousing is encouraged in many countries.

Check Your Progress B

1 Distinguish between a private warehouse and a public warehouse.

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2 "The rate of return from warehousing business is low and the gestation period is rather long" Comment.

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3 Choose the most appropriate answer.

i) The private warehouse offers the advantage of
   a) total control
   b) low cost
   c) privacy

ii) Dedicated warehousing offers
   a) huge inventory facility
   b) month to month arrangement
   c) an element of stability

iii) Warehousing
   a) is a capital intensive industry
   b) has high rate of return
   c) does not need government support

iv) The fixed cost in warehousing operation account for
   a) one third of the overall cost of operation
   b) more than half of the overall cost of operation
   c) insignificant portion of the overall cost of operation

v) Warehouse receipt can be
   a) negotiable
   b) not negotiable
   c) either of the above as marked.

4.9 WAREHOUSING CORPORATIONS IN INDIA

The concept of public warehousing in India is of recent origin. The Agricultural Finance Committee set up in 1945 had gone into the details of rural indebtedness and the high rate of interest. It suggested some measures aimed at creating a negotiable paper on the strength of which advances could be secured for the agriculture sector from the credit institutions. For creation of such a paper, a storage agency which could ensure safe storage and return of produce on demand was considered essential.

The Rural Credit Survey Committee set up by the Reserve Bank of India in early 1950 gave its report in 1954. The Committee deeply studied the system of farming, pattern of crop production and credit as well as other allied agricultural problems and recommended various

measures. One of these measures was to establish a warehousing system in the public sector. The main reason outlined by the Rural Credit Survey Committee for investment in godown construction was that the private capital was shy of investment in godown construction as this was not considered remunerative enough. The Committee, therefore, recommended that the Government should set up an organisation which could construct godowns for scientific storage and promote warehousing activity on country wide scale and on commercial lines.

4.9.1 Objectives And Functions Of Warehousing Corporations

The recommendations of the Rural Credit Survey Committee paved the way for enactment of Agricultural produce (Development and Warehousing) Corporations Act, 1956 (since repealed and replaced by the Warehousing Corporations Act, 1962) and setting up of Central and the State Warehousing Corporations. The public warehousing in India envisages a three-tier system. Under this scheme, centres of All India importance could be served by the Central Warehousing Corporation, centres of secondary markets and at district levels could be served by the State Warehousing Corporations, while the village and the community levels are to be looked after by the cooperatives.

The broad objectives of the warehousing corporations are as follows:

1 Creation of negotiable paper to provide an instrument for expansion of credit through commercial banks for the benefit of producers, dealers and others;

2 Adding to the nation's real income by reducing wastage and losses in storage and by promoting and developing warehousing and scientific storage facilities;

3 Providing assistance in orderly marketing by introduction of standard grade specifications and the warehouse receipt;

4 Training of personnel to manage and run modern warehouses; and

5 Providing assistance to Govt. and Govt. sponsored organisations in their scheme of price support and price control.

4.9.2 Functions of Central Warehousing Corporation

The main functions of the Central Warehousing Corporation (CWC), as envisaged in the Warehousing Corporations Act, 1962 are:

1. To acquire and build godowns and warehouses at such suitable places in India as it deems fit.
2. To run warehouses for the storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities offered by individuals, cooperative societies and other institutions.
3. To arrange facilities for the transport of agriculture produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses,
4. To subscribe to the share capital of State Warehousing Corporations.
5. 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.
6. The Corporation may, at the request of parties concerned, undertake disinfestation service outside its warehouses in respect of agricultural produce or notified commodities.
7. The Corporation may, at its own discretion, act as agent for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities on behalf of a company as defined in the Companies Act, 1956, or a body corporate established by an Act of Parliament or a State Legislature or a co-operative society.
8. To carry out such other functions as may be prescribed by the Government from time to time.

4.9.3 Warehousing Network In India

Public Warehousing facilities in India are mainly provided by the Central Warehousing Corporation(CWC) and its sixteen subsidiaries, the State Warehousing Corporation(SWCs).

As at the beginning of 1998, public warehouses at 1,835 locations were being operated by the Central Warehousing Corporation and the State Warehousing Corporations. Of these 459 belonged to CWC and 1,376 to SWCs.

The CWC which started functioning in 1957 with 7 warehouses in hired godowns with 7,000 MT capacity had a phenomenal growth over the years. By the beginning of 1998, the CWC is operating 459 warehouses throughout India with a capacity of over 7.22 million tonnes. The growth of warehousing capacity established by the CWC can be seen from the following Table 4.1.

Table 4.1: Growth Of Warehousing Capacity Of Central Warehousing Corporation

Year	No. of Warehouses	Capacity (in lakh MT)
1957-58	7	0.07
1959-60	27	0.44
1964-65	85	2.06
1969-70	123	12.70
1974-75	142	15.80
1979-80	292	34.30
1984-85	408	48.70
1989-90	483	65.10
1994-95	450	67.20
1995-96	458	69.75
1996-97	464	71.19
1997-98	459	72.28

The State Warehousing Corporations were also operating the capacities as at the beginning of 1998. Their growth is given in Table 4.2.

Table 4.2 : Warehousing Capacity Operated By State Warehousing Corporations

Name of the SWC	No. of Centres	Capacity (in lakh tonnes)
Andhra Pradesh	71	5.44
Assam	39	2.36
Bihar	44	2.43
Gujarat	48	1.45
Haryana1	04	9.84
Karnataka	97	4.34
Kerala	64	1.93
Madhya Pradesh	312	14.64
Maharashtra	133	8.84
Meghalaya	5	0.11
Orissa	77	2.25
Punjab	106	28.37
Rajasthan	80	5.12
Tamilnadu	64	6.24
Uttar Pradesh	100	12.84
West Bengal	32	2.63
TOTAL	**1376**	**108.86**

4.10 DIVERSIFIED WAREHOUSING ACTIVITIES OF CENTRAL WAREHOUSING CORPORATION

Although initially established for storage of foodgrains, fertilizers and other notified commodities, the Corporation has diversified its activities in view of the developing warehousing needs in the country and has expanded its activities to the industrial warehousing as well. To keep pace with the fast industrial growth and for facilitating export trade, the Corporation has established suitable warehousing facilities at port towns and other industrial cities in the hinterland. These can be summarized as follows.

4.10. 1 Custom Bonded Warehouses

The Corporation has been operating custom bonded warehouses since 1975 under a licence from the Customs Department wherein imported capital goods, components and raw materials are stored on deferred payment of duty basis. The custom bonded warehouses are licenced under Section 57 of the Customs Act, 1962. The Corporation issues a Warrant for Goods when goods are deposited in the bonded warehouses. The goods are released when duty is paid by the depositor to the Customs Department and release instructions are issued by the Custom Authorities. The Corporation has a network of 115 bonded warehouses with a capacity of 4.26 lakh tonnes.

4.10.2 Excise Bonded Warehouses

The excise bonded warehouses are run by the Corporation by licence under the Central Excise Rules, 1944. Exciseable commodities are allowed to be stored in excise bonded warehouses without payment of excise duty which is paid as and when dutiable goods are removed from the warehouses

4.10.3 Leased Warehouses

At places where storage accommodation is not available in the warehouses of the Corporation, suitable storageworthy godowns on reasonable rent, to meet the specific requirement of the depositor, are hired on behalf of the depositor. The godown is then taken on lease by the Corporation for running warehouse on management basis on mutually agreed terms and conditions. In such cases, management charges are levied on area basis or as lumpsum amount.

4.10.4 Operation Of CFSs

The Corporation, with its network of warehouses spread over the length and breadth of the country and with its long and varied experience in handling land storage of cargo, quickly adapted to the situation and established the first CFS for stuffing and destuffing of ISO Containers in June, 1982 by converting its bonded warehouse at Bhandup (Mumbai) as a CFS. It obtained licence from Custom Authorities under Section 49 of the Customs Act, 1962 and, thus, became the first licenced CFS operator outside the port area in the country.

With the growth of containerisation over the decades, the Corporation has been coordinating its efforts with the Indian Railways, Shipping interests, Shippers Associations, Customs and Finance Ministry, etc. and providing infrastructural support for the export/import trade. Presently, the Corporation is operating CFSs at the following locations:

i) Bhandup (Bombay)

ii) Patparganj (Delhi)

iii) Royapuram (Madras)

iv) Virugambakkam (Madras)

v) Madhavaram (Madras)

vi) J.N. Port (New Bombay)

vii) Kalamboli (New Bombay)

viii) Dronagiri Node (New Bombay)

ix) Kolkata

x) Pune

xi) Adalaj (ahmedabad)

xii) Sanathnagar (Hyderabad)

xiii) Ludhiana

At the CFSs of CWC, both LCL and FCL export/import cargoes are handled. They assist in decongestion of the ports by facilitating quick transfer of import containers from the CT/CY as well as transfer of export containers to CT/CY in time for shipment. At the CFSs, the custom officials are housed and the banking and users convenience facilities are also provided. Thus, the CFSs act as custom documentation centers as well as trade centers for the benefit of the export/import agencies.

4.10.5 Transit Warehouses

The Corporation is also actively involved in the development and operation of transit warehouses of appropriate capacity and of international standard in the Satellite Freight City (SFC) being developed by the Government of India in the vicinity of Indira Gandhi International Airport, New Delhi. The transit warehouse in the SFC will thus decongest the air cargo terminal. Similarly, it is also contemplating to establish transit warehouses at border towns, viz., Petropol in W.B. (at Indo Bangladesh border) Moreh in Manipur (at Indo Mynamar border) and at Raxaul in Bihar (at Indo Nepal border).

4.10.6 Air Cargo Complexes

In order to further meet the requirement of the trade and industry in handling of air freighted cargo, the CWC has established air cargo complexes at Amritsar, Coimbatore and Goa. The air cargo complex at Amritsar mainly promotes exports from Punjab, Haryana, Jammu & Kashmir and Himachal Pradesh for Afghanistan and Middle East countries.

4.10.7 Specialised Storage Arrangements

Certain commodities like fruits and vegetables, dairy products, pharmaceuticals, seeds, etc. require temperature controlled storage arrangements. If stored under normal atmospheric conditions, these commodities deteriorate and loose their commercial value. The Corporation has, therefore, set up air conditioned warehouses as well as cold storages for storage of such delicate/sensitive and perishable commodities. The Corporation's multi storeyed air conditioned warehouse at Kolkata is mainly utilised for storage of drugs and pharmaceuticals, dairy products, seeds, vegetables and flower seeds, shellac (a forest produce), while in the air conditioned warehouse at Chennai delicate commodities like, photofilm imported liquor, etc. are stored. The Corporation is running cold storage at Hyderabad, Agartala and Mumbai for storage of fruits like and other commodities such as marine products etc. are stored under temperature controlled storage conditions. Establishment of a chain of cold storages at important producing/processing centres such as Nasik, Pune, Bangalore and at some locations in the east coast for marine products is under consideration.

Check Your Progress C

1 Outline the three-tier system of public warehousing in India.

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2 How does a custom bonded warehouse operate?

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3 Fill in the blanks.

i) The Agricultural Finance Committee pointed out the need for creation of a negotiable paper on the strength of which advances can be secured from the .....institutions.

ii) As at the beginning of 1998, the CWC was operating warehouses at .....locations and the State Warehousing Corporations at ..... locations.

iii) Excisable commodities are allowed to be stored in excise bonded warehouses .....payment of excise duty.

iv) CWC converted its bonded warehouse at .....as a CFS in June 1982.

v) The transit warehouse in the SFC ..... the air cargo terminal.

4.11 WAREHOUSING IN GLOBALISATION ERA

Not long ago, most public warehouse keepers operated their business in one city. Gradually, the larger ones became regional operators managing a number of facilities in several locations in one state or a group of neighbouring states. A truly national third party warehousing supplier in the private sector in India is yet to emerge.

With the rapid industrialisation and liberalisation of economy, most national barriers to trade have been withdrawn. More and more multinational companies are setting up their production facility in India. Simultaneously, as Indian goods become increasingly competitive and of better quality, export of Indian goods is catching up. While Indian companies/institutions like Central Warehousing Corporation and, Federation of Indian Export Organisation have been called upon to set up warehouses abroad, we may see the multinational warehousing organisations setting up high tech warehousing facilities in India. Japanese third party warehouse companies are already operating in United States as well as the other countries in the western hemisphere.

As warehousing goes international, the Govt. of India has schemes wherein foreign direct investment in building and operating warehousing infrastructures is allowed. A modern warehouse will emphasise first movement rather than efficient storage. Order pick lines will be designed with an ergonomic layout, one that places the first moving items in those locations where they can be picked up with the minimum effort or risk of personal injury.

4.12 LET US SUM UP

Warehousing constitutes an integral part of the marketing chain and an important component of the logistics of distribution. It has a 'Hams and Eggs' relationship with transport. The major components of warehousing are : (i) space, (ii) equipment, and (iii) people. A judicious employment of these three elements can affect the performance and the overall cost of the warehousing facility. Efficiency in warehousing, however, starts with proper planning for the requirement and matching resources against the actual need.

Basically, warehouses provide time and place utility for any product through efficient management of space and time. The main functions of warehousing are : (i) stockpiling,

(ii) roduct mixing, (iii) consolidation, and (iv) distribution. A warehouse acts as a reservoir to handle production overflows, provides the facility for product mixing to combine the items in the entire line, and effect improvement in service by positioning merchandise at convenient locations.

Based upon the extent of control, the warehouses can be divided into three categories: (i) private warehouse, (ii) public warehouse, and (iii) contract warehouse. Of these, public warehouse, which is independent of the firms owning inventory, is of special importance as it serves a number of customers with better facilities and helps balancing the variations of inventory over space and time and obtaining advances from the bank. It can also be used for grading, standardization and packing of products.

Public warehousing is a capital intensive industry with low rate of return and long gestation period. Hence, it needs government support. As a result of the recommendation of the Rural Credit Survey Committee and with the passage of Warehousing Corporations Act of 1962, Central Warehousing Corporation (CWC) and many State Warehousing Corporations have been set up in India. The CWC has warehouses at 459 locations and the SWCs at 1376 locations. The Central Warehousing Corporation which was initially established for storage of foodgrains, fertilizers and other notified commodities, has now diversified its activities in order to keep pace with the rate of industrial growth and for facilitating the export trade. This includes establishment of suitable warehousing facilities at port towns and other industrial cities in the hinterland in the form of custom bonded warehouses, excise bonded warehouses, leased warehouses, transit warehouses, air cargo complexes, and operating CFSs for handling export-import cargoes. In times to come, warehousing is likely to enter the globalisation era. While CWC and Indian Export Organisations have been called upon to set up warehouses abroad, the multinational warehousing organizations are planning to set up high-tech warehousing facilities in India. The Government of India also has schemes wherein foreign direct investment in building and operating warehousing infrastructure is duly allowed.

4.13 KEY WORDS

CFS : Contain Freight Station - an international trade receiving point which serves as a satellite to inland container depot.

Custom Bonded Warehouse : A warehouse with a licence from Customs Department wherein imported goods are stored on deferred payment of duty basis.

Dedicated Warehousing : A combination of private and public warehousing with a long term arrangement.

Depositor : A person who deposits goods with warehouseman for storing in his warehouse.

Excise Bonded Warehouse : A warehouse run by the Corporation with a licence under the Central Excise Rules, 1944 wherein excisable commodities are allowed to be stored till excise duly is paid.

FCL : Full Container Load

ICD : Inland Container Depot - A dry port where containerized cargo is aggregated and consolidated by stuffing and destuffing of containers.

LCL : Less than Container Load

Leased Warehouse : A godown taken on rent to meet specific requirement of the depositor on management basis.

Public Warehouseman : An independent contractor who offers warehousing services to more than one user.

Transit Warehouse : A warehouse of appropriate capacity and of international standard in the satellite Freight City (SFC) near International airport to decongest the air cargo terminal.

Warehouse : A building structure or other protected enclosure which is used for the purpose of storing goods on behalf of the depositors.

Warehouseman : A person who has obtained a licence for the purpose of carrying out the business of warehousing.

4.14 ANSWERS TO CHECK YOUR PROGRESS

A 4 (i) True (ii) False (iii) False (iv) True (v) True (vi) False

B 3 (i) a - total control

(ii) c - an element of stability

(iii) a - is a capital intensive industry

(iv) b - more than half of the overall cost of operation

(v) c - either of the above as marked

C 3 (i) credit (ii) 459; 1,376 (iii) without (iv) Bhandup (Mumbai) (v) decongests

4.15 TERMINAL QUESTIONS

1 Evaluate the role of warehousing in business and describe its functions.

2 Comment on the following statements.

a) Warehousing is an important link in the chain of marketing.

b) Warehouses add to the time and place value of goods.

c) Dedicated warehousing is a combination of public and private warehousing services.

3 Define 'Public Warehouse' and state its objectives.

4 Describe the public warehousing network in India and state the broad objectives of warehousing corporations.

5 Discuss the main functions of Central Warehousing Corporation and outtime its role in facilitating export trade.