

Chapter III

Profile of the Wholesale Grocery Business in Pune City

3.1 Introduction

The Poona Merchants Chamber has been formed by wholesale grocery traders of Pune city. In order to understand the role of Poona Merchants Chamber in the promotion of Wholesale Grocery business in Pune city, it is necessary to understand the evolution and profile of the city of Pune, as well as the structure and systems of the Wholesale Grocery business in Pune city. This chapter has been written with the following objectives:-

- a. To understand the history and evolution of the city of Pune
- b. To know about the structure of the wholesale grocery business in Pune city.
- c. To understand the regulatory framework of the wholesale grocery business in Pune city, and identify the type of commodities traded.
- d. To know about the various participants in the wholesale grocery trade and understand their functions.
- e. To get an idea about the growth pattern of the wholesale grocery business in Pune city.
- f. To evaluate the future scenario of the wholesale grocery business in Pune city.

3.2 Wholesale Grocery Business- Concept

Food, clothing and housing are the basic necessities of mankind. Grocery items are a part of food and hence are absolutely essential for the survival of a human being. The trade of grocery items is one of the oldest trades in India. India is the 6th largest grocery market in the world⁴. As per the data by the Institute of Grocery Distribution, U.K., the grocery sector in India was worth about US\$503 billion in the year 2015, and it is projected to increase to about US\$901 billion by the year 2020⁵.

The spending on grocery and daily essentials is the largest and most consistent share of the wallet for any household. In India, traditionally, there have been many intermediaries (middlemen) involved in the distribution channel of groceries right

⁴www.indiainbusiness.nic.in

⁵www.igd.com

from the agriculturist (farmer) to the final consumer. The grocery wholesaler is one such intermediary who occupies an important place in the distribution channel of grocery items.

3.3 City of Pune: Profile & Developments

3.3.1 Definition⁶ and History of Pune City

Pune City is today a metropolis, covering more than 700 sq. km. area and has a population of about 4 million people. Pune (18° 31' N, 73° 51' E) is situated near the western margin of the Deccan plateau. It lies on the leeward side of the Sahyadri i.e. the Western Ghats. It is 100 km east from the Konkani.e the west coast. It is almost 160 kms south-east of Mumbai, by road. It is situated at a height of 560m above the mean sea level, near the confluence of Mula and Mutha rivers. In a sense, the city is located in the upper Bhima basin. The city is surrounded by hills on the east and the south.

From a tiny agricultural settlement called 'Punnaka' in the 8th century, the city developed into a small town- Kasbe Pune during the 11th century, when it was ruled by the Mughals. During the mid-17th century, the city became the temporary residence of Shivaji, the great Maratha King. In the year 1749 A.D., the Peshwas established the seat of the Maratha empire in Pune. During the Peshwa rule, the city expanded considerably.

The Maratha rule came to an end at Khadki near Pune, in 1871 when the British defeated them and the city and the surrounding areas came under the British rule. Under the rule of the British, Pune became the 'Monsoon Capital' of the then Bombay Presidency. The British established the Army Bases on the outskirts of the city which were later converted into the cantonments of Pune and Khadki.

During the 1850s the Railway service was started by the British between Mumbai and Pune. The Pune Municipality was established in 1858. As the city grew, the Pune Municipal Corporation was established in the year 1950.

⁶Geography of Pune Urban Area by S.B. Nalawade, Dept. of Geography, F.C. College, Pune

The last few decades saw the tremendous growth of the city. The Pune Metropolitan Regional Development Authority (PMRDA) was formed in the year 2015. It is responsible for the integrated development of the metro region. Apart from the Pune Municipal Corporation, four other administrative bodies are active within the Pune Metropolitan Area.

- Pimpri-Chinchwad Municipal Corporation (PCMC), responsible for Pimpri-Chinchwad and its surroundings
- Khadki Cantonment Board (KCB), responsible for Khadki
- Pune Cantonment Board (PCB), responsible for Pune Cantonment
- Dehu Road Cantonment Board, responsible for the Dehu Road area

3.3.2 Industrial Development in Pune

Agriculture has been an important occupation in Pune along with businesses related to agriculture. Pune has gradually evolved into a major business centre in Maharashtra over the past few years. Various industries like automobile and auto component industries, information technology, engineering, forging, and food processing industries have developed in and around Pune over the past few decades.

In the year 1885, Deccan Paper Mills was established in Pune. Units for the large scale production of brass and copperware were also established in Pune. In 1869, during the First World War, an ammunition factory was started at Khadki and in 1940, a high explosive factory was started at the same place.

In the year 1953, Hindustan Antibiotics Ltd., a public sector undertaking was established in Pimpri and the Kirloskar Oil Engines was started at Khadki. In the beginning, the industries were concentrated in the Pimpri-Chinchwad area of Pune. These were the mechanical and electrical industries like Sandvik, Atlas Copco, Thermax, Bharat Forge etc. These industries are still working and generating employment.

Automotive industries like Volkswagen, BMW, Mercedes Benz, Hyundai, Fiat, General Motors, Bajaj, Tata Motors, Force Motors are also important which have been established around Pune.

In the last two decades, many industries have developed in areas like Hinjewadi, Kharadi, Chakan Road, Nagar Road, Talegaon and others. Also, many companies in the IT and BPO sector have been established in Pune. Companies like Infosys, Wipro, Tata Consultancy Services, Cognizant, KPIT, CapGemini, Persistent Systems Ltd., Synchron Technologies Pvt. Ltd. are some of the major companies in this sector.

The city is also home to MITCON Biotech Park and International Biotech Park in the field of biotechnology.

Foreign investments, modern technology, financial facilities, subsidy, marketing facilities and infrastructural development are the factors responsible for rapid industrial development in Pune.

As regards the small scale industries, industries in auto components, engineering, IT/ITeS, BPO, pharmaceuticals and food processing are few of the small unit industries in Pune.

3.3.3 Pune as an Educational Hub

A number of educational institutes have been established in Pune. The famous Deccan College, Fergusson College, Law College, B.M.C.C are among the reputed colleges in Pune. The Deccan College is one of the oldest in western India and Fergusson College is one of the ten most reputed colleges in India. The College of Engineering, Pune is also one of the oldest Engineering colleges in Pune.

The Savitribai Phule Pune University is the main university of Pune, having jurisdiction over the districts of Ahmednagar, Nasik and Pune. There are about 307 recognized research institutes and 612 colleges offering graduate and undergraduate courses, affiliated to the Savitribai Phule Pune University.⁷

⁷www.unipune.ac.in

Pune also houses many research institutes of national and international repute. There are national level institutes in Pune such as Indian Institute of Science Education & Research, National Chemical Laboratory, Gokhale Institute of Politics and Economics, National Institute of Bank Management, YASHADA- Yashwantrao Chavan Academy of Development Administration, National Insurance Academy, Bhandarkar Oriental Research Institute, Film & Television Institute of India and others.

Pune also houses institutes in the field of agriculture and co-operation, like Vaikunth Mehta National Institute of Co-operative Management (VAMNICOM), RBI College of Agricultural Banking and also the College of Agriculture, Pune.

3.3.4 Defence Establishments in Pune

Pune is home to important Defence Establishments like the National Defence Academy (NDA), which provides training in all the three services. The Headquarters of the Southern Command of the Indian Army is also located in Pune. The Armed Forces Medical College, India's top defence medical college is also located in Pune. The Air Force houses fighter squadrons at the Lohegaon Aerodrome, which also serves as the civilian airport of Pune. Pune also houses the Bombay Engineering Group, a regiment of the Indian Army Corps of Engineers. Other Institutes like the Defence Research & Development Organisation (DRDO), College of Military Engineering (CME) and High Energy Materials Research Laboratory have been established in Pune.

3.3.5 Hospitality Industry in Pune.

On account of thriving industrialization, huge population and high incomes, many five star hotels and restaurants have been established in Pune. Big five star hotels like Hyatt Regency, JW Marriott Hotel, Vivanta by Taj- Blue Diamond, Novotel and others have been established in Pune. The establishment of big hotels and restaurants has increased the standard of food and dining among the people of Pune city. The demand for standard quality food grains as well as various processed food products has increased due to this.

3.3.6 Growth in population of Pune City

On account of the various developments given above, there has been tremendous growth in the population of Pune city in the last few decades. On account of expanding employment opportunities, many people from the surrounding areas of Pune and other states have migrated to Pune. The following table shows the growth of population of Pune city, right from independence.

Table no. 3.1 Table showing the population of Pune city from 1951 onwards

Year	Population (in millions)
1951	0.48
1961	0.6
1971	0.85
1981	1.2
1991	1.56
2001	2.53
2011	3.11
2021	4.45 (projected)
2031	5.63 (projected)

Source: www.censusindia.gov.in, www.punecorporation.org

The above table shows that the population of Pune city has almost doubled during the period 1991 to 2011.

The growth of population shows that the demand for food grains and other food products in Pune city is growing and will continue to grow in future.

3.3.7 Markets in Pune city

The table given on the next page shows the location of various markets in Pune city and the commodities traded therein. It shows that Pune has been and currently is a bustling trade centre.

Table no. 3.2 Table shows the location of various markets in Pune city and the commodities traded therein.

Name of the market and commodity	Location
Cloth Market	Laxmi Road
Gold Market	Sonya Maruti Chowk, Raviwar Peth
Flowers Market	Babugenu chowk, Budhwar Peth
Books & Stationery	Appa Balwant Chowk, Budhwar Peth
Milk Market	Dudh Bhatti, Rasta Peth
Old/Seconds Market	Juna Bazaar, Mangalwar Peth
Clay pots	KasbaPeth
Metal Utensils Market	KasbaPeth
Vegetables Market	Ray Market /Mandai
Wholesale Grocery Market	NanaPeth, Bhawani Peth and currently in Gultekdi, Market Yard.

3.3.7 Agriculture and Food Processing Industry in and around Pune

The main crops grown in and around Pune include rice, wheat, jowar, bajra, soyabean, sugarcane, onion, groundnut, turmeric, various vegetables and fruits like grape and pomegranate. Pune is also thriving agricultural market in which large scale trade in agricultural commodities takes place.

In addition, there has been tremendous growth of food processing industries in the surrounding areas of Pune in the recent years. According to the Ministry of Micro, Small & Medium Scale Enterprises (MSME), certain industries based on agriculture like making Briquettes for bio-coal from agro-waste, Agro-processed Export oriented units, making starch from jowar have been identified as the ‘ Most Potential Industries’. Proximity to urbanized markets such as Mumbai, Nasik, Nagpur, Aurangabad etc., changing food habits, increasing disposable incomes, cosmopolitan nature of the city, connectivity to Jawaharlal Nehru Port and hence convenience of exports etc. are the factors that have given an impetus to the development of the food processing industry in and around Pune. The food processing industry plays an important role in the diversification and commercialisation of agriculture by ensuring value addition to agricultural produce, generating employment, enhancing the income of farmers and creating markets for export of agro foods. In short, the food processing industry provides linkages and synergies between the industrial and agricultural sector.

The Fruit & Vegetable Processing Cluster, Pune produces a range of products comprising semi-processed ready mix products, pickles, jams, jellies, squashes & syrups, processing of fruits and vegetables, Ready to Eat, Ready to Cook products, ground & processed spices and papad. The units are located in the district of Pune and others are located in and around Panchgani (District Satara). Big names like Weikfield Products Company Pvt. Ltd, Gits Food Products Pvt. Ltd, Rasoi Magic Foods India Ltd, Pravin Masalewale (Suhana), Parampara Food Products, S V Foods, Tasty Bite Eatables Ltd, Venky's India Ltd, Universal Spices, Chordia Food Products and so on, all have their origin in Pune.

The Food processing Industry plays an important role in generating high income and employment generation in the agricultural sector, while minimising the wastages. This industry is one of the major sectors in Maharashtra and is a significant contributor to the GDP of the state. As per statistics gathered by MCCIA, the total investment in plant & machinery of Pune food processing industry is to the tune of Rs 300 crores in the year 2014-15.

Policy Initiatives for the Food Processing Industry ⁸

The Government has undertaken several policy measures and initiatives for this industry. Some initiatives can be named as follows:

- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development & Regulation) Act, 1951.
- In order to ease the availability of finance, the industry is included in the list of priority sector.
- Excise duty levied on the ready-to-eat products, instant food mixes, aerated drinks and fruits and vegetables processing units is reduced.
- Foreign equity up to 100% for most of the processed items except for alcoholic beverages and those reserved for the small-scale units.
- A large number of foreign collaborations have been approved.
- Excise Duty of 16% on dairy machinery has been fully waived off and excise duty on meat, poultry and fish products has been reduced from 16% to 8%.

⁸www.dnb.co.in

3.3.8 Main Observations and Conclusions

During the past few decades, the city of Pune has witnessed tremendous growth in various sectors like agriculture, industry, education, hospitality and others. There has also been huge growth in the population of the city and the city has witnessed tremendous development. This has created huge demand for food grains and various grocery items and also various packaged and processed food products. There has also been growth in the food processing industry in and around Pune in the past decades. Thus this represents a huge opportunity for the wholesale grocery traders in Pune city, who may wish to expand or diversify their business.

3.4 Wholesale Grocery Business in Pune city

Pune is a city having historical importance. Right from the times of Maratha rule, the grocery trade was one of the most important trades in the city. From the viewpoint of grocery trade, Pune has a strategic location for internal trade as well for import or export. The wholesale grocery business of Pune too flourished with the development of the city. Today, the wholesale grocery trade in Pune includes trade in a wide variety of agricultural items like cereals, pulses, jaggery, coconut, dry fruits and also certain processed items like flour, 'suji', 'besan' and also what is popularly called 'poha' and 'murmura'. The goods are brought to Pune from all parts of India. In the past, the goods used to come by bullock cart, then gradually by wagons and now by trucks.

Total there are around 550 wholesale grocery traders in Pune city. Earlier the market for wholesale grocery items was spread in the central part of the city in the areas of Nanapeth, Ganeshpeth, Bhavanipeth, but in the year 1975, the government shifted the entire wholesale market to Shri Chhatrapati Shivaji Market yard at Gultekdi in Pune. Gradually, the jaggery traders and also the food grain and other grocery traders shifted to Gultekdi from their old premises in the Peths. Today most of the wholesalers operate from the Market yard only. The wholesale grocery market at Gultekdi is spread over 57 acres of land. The researcher has prepared a detailed map of the wholesale grocery market at Gultekdi which has been given in the appendix.

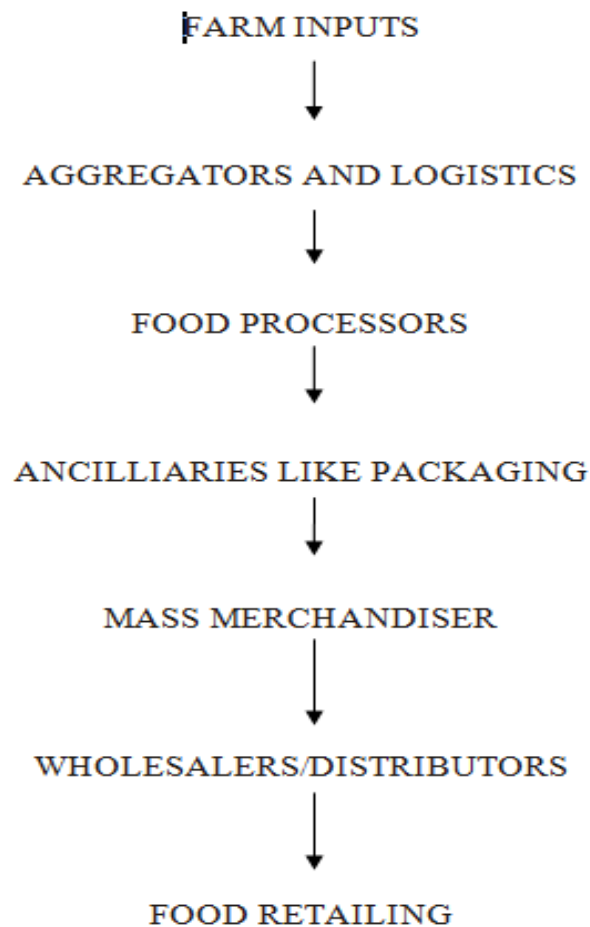
3.5 Structure of the Grocery business

Grocery items are basically agricultural items. In most of the big cities like Pune, we find that most of the grocery items undergo processing before reaching the

wholesaler, for example, dehusking and packing of rice, 'suji', 'maida', 'poha' and 'murmura' production. Thus there are many intermediaries, and the wholesaler is one of the most important one among them. The raw material or the farm inputs are collected from the farmers by the commission agents or logistics providers. Thus the farm produce is aggregated and is sent to the processing units.

After undergoing the production process, the finished products may be packed within the unit itself, or it may be sent to the ancillaries for packaging. From there, the finished products are sent to the mass merchandiser, from which they reach the wholesalers or distributors. From them they reach the retailers or departmental stores or retailing chains. Big retail chains like Big Bazaar have their own brands, and hence have their own distribution channel. The above channel can be shown in the form of a flow chart given below:-

Chart no. 3.1 Chart showing the distribution channel of grocery items



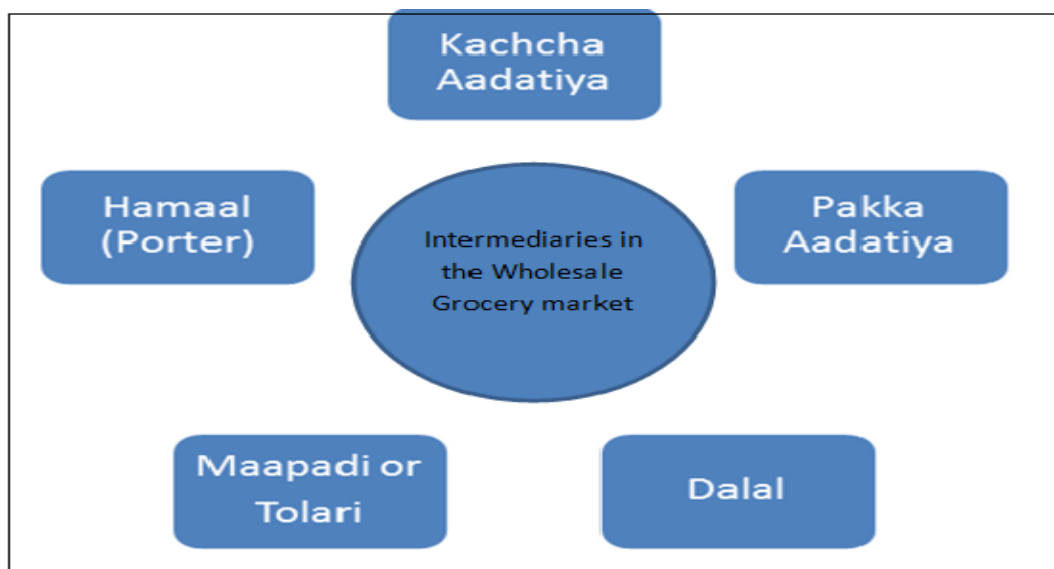
Today we find that the grocery wholesaler receives the finished product from the processing units or mass merchandiser and sells them to the retailer. This business has comparatively less profit margin and hence, the wholesaler has to concentrate on increasing volume of sales in most of the products.

3.6 Intermediaries in the Wholesale Grocery Market

Grocery items are essential for day to day consumption. They are required by the consumer, as far as possible near to their homes. Hence, right from the past, there exist a large number of intermediaries in this business. These intermediaries play an important role in the supply of grocery items from the farmer to the ultimate consumer.

The following are the intermediaries in the wholesale grocery market in Pune city, who facilitate the transactions between the wholesaler and the customer. The customers in a wholesale grocery market could include retailers or individual customers:-

Chart no. 3.2 Intermediaries in the Wholesale grocery market



a. **Agent**- There are different types of agents operating in the wholesale grocery market.

i)'**KachchaAadatiya**'- He works on behalf of the farmer, He provides facilities like granting credit, facilitates sales, maintains accounts, recovery of dues from customer, providing lodging facility to farmer etc. He plays an important role in the marketing of agricultural produce.

ii) **‘Pakka Aadiya’** – He works for a wholesaler and plays an important role in the standardization, grading & distribution of agriculture produce.

iii) **‘Dalal’ (Commission Agent)**– The ‘Dalal’ helps to bring together the buyer and seller in wholesale market. He may also work on behalf of a ‘Kachcha Aadiya’. He only tries to bring about transactions and gets remuneration. He does not provide other services.

b. **‘Maapadi’ or ‘Tolari’ (Person appointed for weighing purpose)**- The person who is appointed for accurate measurement or weighing of goods by the ‘Aadiyas’ or the APMC is called ‘ Maapadi ’ or ‘Tolari’. They are responsible for accurate weighing of the goods. In a regulated market like in Pune, he is appointed by the Agricultural Produce Marketing Committee (APMC) appointed by the government, while in an unregulated market, he is appointed by a ‘Kachha Aadiya’, hence, remains loyal to him, which may result in exploitation of the farmer.

c. **‘Hamaal’(Porter)**- They perform functions like loading and unloading of goods, moving goods from one place to another, keeping them in the godown etc. In a regulated market like in Pune, there is a ‘Hamaal Panchayat’ which acts as a representative of the ‘hamaals’. The rate of remuneration is fixed by negotiations between the traders and the ‘Hamaal Panchayat’. Also the provisions of The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969 have to be followed.

3.7 Regulatory Framework of the Wholesale Grocery Business in Pune city

Every business has to operate within the framework of the laws and regulations framed by the Central or State government for the growth and smooth functioning of the business.

The following are the important laws pertaining to the Wholesale Grocery Business in Pune City:-

i) Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963

ii) Food Safety & Standards Act, 2006

iii) Standards of Weights and Measures Acts

- iv) The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969
- v) Bombay Shop & Establishment Act, 1948
- vi) Value Added Tax
- vii) LBT or Local Body Tax

Table no. 3.3 Important Laws pertaining to the Wholesale Grocery Business in Pune City

Name of the Act/ Law	Purpose
Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963	Regulate marketing operations of agricultural produce
Food Safety & Standards Act, 2006	Regulate the manufacture, storage, distribution, sale and import of food items to ensure availability of safe and wholesome food for human consumption
Standards of Weights and Measures Acts	Ensuring that all weights or measures used for trade or commerce, for industrial production or for protection of human health and safety are accurate and reliable
The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969	To protect the rights, prevent exploitation and ensure welfare for the porters working at different places like APMC, railway stations, ports and also other workers doing manual labour.
Bombay Shop & Establishment Act, 1948	To regulate the conditions of work and employment in commercial establishments, shops, eating houses, restaurants, theatres, etc.
Value Added Tax	It is a multi-point sales tax with a set off for tax paid on purchases. It is basically a tax for value addition on the product
LBT or Local Body Tax	Tax on entry of goods within municipal limits.

a. Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963 -

Grocery items are basically agricultural commodities. Hence they come within the purview of the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963. Today this Act has been amended to Maharashtra Agricultural Produce Marketing (Regulation) (Amendment) Act, 2005.

In 1963, the Maharashtra Agricultural Produce Marketing (Regulation) Act was introduced to regulate marketing operations of agricultural produce. The Act brought about several desirable changes like introduction of open and transparent system of transactions, immediate settlement, weighing in the presence of parties, no deductions and sale directly to consumers or through commission agents. Such APMC Act was passed by every State Government and under the Act, the whole geographical area in the State is divided and declared as a market area wherein the markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed to freely carry on wholesale marketing activities.

The space available in the central part of the city was inadequate for the growing business, so in the year 1975, the entire grocery market was shifted to the market yard at Gultekdi, Pune. Presently the APMC created as per the Maharashtra Agricultural Produce Marketing (Regulation) Act, 1963 regulates marketing of agricultural produce at the main market and submarkets. Pune market yard provides the place for marketing of agricultural products like food grains and grocery items, fruits & flowers.

The market committee has representation of farmers, gram panchayats, traders, other operators, cooperative marketing and processing units, local self government bodies and Departments of the Government.

The day to day operations are carried out by the administrative staff of APMC and the state government officials, appointed for the purpose. The objectives of a well regulated market yard are protecting the farmers from exploitation, providing them a good price for agricultural produce and also creating a mechanism for weighing and settlement.

The market committee performs functions like providing a good market place, providing facilities needed for smooth marketing operation disseminating information about price changes to the farmers, solving disputes, giving licenses to operators in the market and grading & standardization of the agricultural produce.

b. Food Safety & Standards Act, 2006

The Food Safety & Standards Act, 2006 was passed to consolidate the laws relating to food and to establish the Food Safety and Standards Authority of India for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import, to ensure availability of safe and wholesome food for human consumption and for matters connected therewith.

Various Acts of the Central Government like Prevention of Food Adulteration Act, 1954 , Fruit Products Order ,1955, Meat Food Products Order , 1973, Vegetable Oil Products (Control) Order, 1947, Edible Oils Packaging (Regulation) Order 1988, Solvent Extracted Oil, De- Oiled Meal Edible Oils Packaging (Regulation) Order 1988, Solvent Extracted Oil, De- Oiled Meal and Edible Flour (Control) Order, 1967, Milk and Milk Products Order, 1992 etc. were repealed after commencement of FSS Act, 2006.

The Act also aims to establish a single reference point for all matters relating to food Safety and standards, by moving from multi- level, multi- departmental control to a single line of command. To this effect, the Act establishes an independent statutory Authority – the Food Safety and Standards Authority of India with head office at Delhi.

The Food Safety and Standards Authority of India (FSSAI) and the State Food Safety Authorities are responsible for enforcing the various provisions of the Act.

The Ministry of Health & Family Welfare, Government of India is the Administrative Ministry for the implementation of FSSAI.

c. Standards of Weights and Measures Acts–

These include Standards of Weights and Measures Act, 1976; Standards of Weights and Measures (Enforcement) Act 1985; Standards of Weights and Measures (General) Rules 1987; and Standards of Weights and Measures (Packaged commodities) Rules, 1977.

These acts are mainly focused on ensuring that all weights or measures used for trade or commerce, for industrial production or for protection of human health and safety are accurate and reliable so that users are guaranteed of their performance and quality as well as the consumer gets the right quantity which he pays for. Also the Standards of Weights and Measures (Packaged commodities) Rules, 1977 focus on the information that should mandatorily be disclosed on prepacked commodities. In the past, mostly goods were traded in quantities like tonnes, quintals, 10 kgs, 5 kgs. and so on in the wholesale market in Pune city. But now with changing lifestyle of the population, the demand for goods in packaging of smaller quantities like 5 kgs., 2 kgs., 1 kg., and 500 gm is increasing.

Weights and Measures in the Wholesale grocery business



Weights and Measures in the Wholesale grocery business



d. The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969

This Act has been passed for the protection of rights, prevent exploitation and ensure welfare for the porters working at different places like APMC, railway stations, ports and also other workers doing manual labour.

In the past, the 'hamaals' or porters in the wholesale grocery market in Pune city were unorganised and there used to be frequent disputes between the traders, customers and 'hamaals'. The 'hamaals' were not even paid living wages, they did not have housing facility. However, from the 1960s onwards, Dr. Baba Aadhav, the visionary, became the leader of the 'hamaals'. With the passing of the Act, now the 'hamaals' are paid living wages, an amount is also deducted from the wages and deposited with the 'Mathadi Board'. Thus they also get a lumpsum amount at the time of retirement.

e. Bombay Shop & Establishment Act, 1948

This Act, which was introduced in the year 1949, is intended to regulate the conditions of work and employment in commercial establishments, shops, eating houses, restaurants, theatres, etc. It applies to all employees (including apprentices) and also covers indirect labour, that is contract labour. It is a social piece of legislation of the State Government enacted to protect the employees of the unorganised sector.

Registration of the business establishment has to be done under the Act, and it also has to be renewed at regular intervals.

The major breaches of the provisions of this Act include non registration, non renewal, opening of establishment before prescribed hours, closing of establishment after prescribed hours, exceeding total hours, continuous work without rest interval, keeping establishment open on weekly closed day, not granting privilege leave, calling employees to work on their weekly offs, employing child labour, employing female employees after prescribed hours, not paying wages as prescribed by the Minimum Wages Act and other aspects.

f. Indirect taxes like Value Added Tax and Local Body Tax-

Value Added Tax is a multi-point sales tax with a set off for tax paid on purchases. It is basically a tax for value addition on the product. The burden of tax is ultimately borne by the consumer of goods. It is applicable to all commercial activities involving the production and distribution of goods and the provision of services.

The system of Value Added Tax (VAT) has been implemented, in the State of Maharashtra, w.e.f. 1st April, 2005.

The following Acts have been repealed on introduction of VAT: –

- i. The Bombay Sales Tax Act, 1959, (BST)
- ii. The Maharashtra Sales Tax on the Transfer of Property in goods involved in the execution of Works Contract (Re-enacted) Act, 1989.
- iii. The Maharashtra Sales Tax on the Transfer of the Right to use any goods for any Purpose Act, (Lease Tax) and
- iv. The Bombay Sales of Motor Spirit Taxation Act, 1958.

Thus VAT has replaced the taxes like Purchase Tax, Turnover Tax, Resale Tax, Surcharge, Works Contract Tax, and Lease Tax etc.

No Resales: All transactions of sales of goods, as well as deemed sale of goods such as Works Contracts, Leases etc., by a dealer, within the State of Maharashtra, are liable to tax under VAT.

Immediate Input Tax Credit is given in the month/quarter in which the eligible goods are purchased.

Thus, Tax payable by a Dealer: – $VAT = Tax\ on\ Sales - Input\ Tax\ Credit - Credit\ b/f$

As per the provisions of MVAT, only a dealer is liable to pay tax on the turnover of sales within the State of Maharashtra. The term dealer has been defined u/s 2(8) of the Act. It includes all person or persons who buys or sells goods in the State whether for commission, remuneration or otherwise in the course of their business or in connection with or incidental to or consequential to engagement in such business. However an agriculturist, educational institution and transporters shall not be deemed to be a dealer (subject to fulfilment of conditions).

LBT or Local Body Tax is a tax on entry of goods within municipal limits. It has been introduced in place of octroi, on 1st April, 2013. It is governed by the provisions of Maharashtra Municipal Corporation Act, 1949 and Bombay Provincial Municipal Corporation (Local Body Tax) Rules, 2010. Any dealer who brings goods into city limits for use, consumption or sale therein is liable to pay LBT. The term 'City' has been defined in the Act and would ordinarily conform to the municipal corporation limits.

All dealers whose turnover of sales / purchases exceeds the threshold limit need to obtain registration. Further, every person liable to obtain registration is required to make an application for registration in Form A.

Every dealer who is registered in terms of Maharashtra Value Added Tax Act, 2002 on appointed day is deemed to be registered for the purposes of LBT. If a person sells goods from outside city limits then the receiver of the goods in the city would be liable to obtain registration if he satisfies the criteria for liability and registration of LBT.

LBT is payable on a monthly basis and should be paid within 10 days of the following month. The banks in which payment can be made and challan for payment of LBT is notified by each municipal corporation levying LBT.

Entry of goods in the city limits for use, consumption or sale therein is the taxable event under LBT.

3.8 Major Commodities traded in Pune's Wholesale Grocery Business

The wholesale grocery business in Pune city consists of trade in a wide variety of grocery items. The following are the major items which are traded in the Wholesale grocery business in Pune city:-

- a. Rice
- b. Wheat
- c. Pulses and 'dals'
- d. Spices
- e. Millets like jowar, bajri
- f. Processed items like 'poha', 'sabudana', 'dalla', 'bhagar', 'rava', 'aata'(flour), 'maida' (refined wheat flour)
- g. Jaggery
- h. Coconut
- i. Edible oil

Commodities traded in the Wholesale Grocery Market



3.9 Wholesale Grocery Market in Pune city

The Agricultural Produce Marketing Committee of Pune was established on 1st May, 1957. It started operations on 9th April, 1959. Gradually there was rapid progress in the market in Pune and hence, it became the Pune District APMC on 30th January, 2008. On 1st May, 2012, it started operations as the Regional APMC. The APMC of Pune covers the areas of Pune city, Pimpri-Chinchwad and Khadki. The sub-markets of Pune APMC are operating in the areas of Pimpri-Chinchwad and Khadki.

The table given on the next page shows the figures of turnover of various grocery items for the past six years.

3.10 Methods of sale in Wholesale Grocery Market.

In the wholesale grocery market of Pune, generally there are different methods of sale, depending on the nature of the commodity.

(i) The buyer can check all the goods and then decide the price.

(ii) Sometimes a sample of the goods may be shown and then the price would be decided.

(iii) If proper grading and standardisation is done, then a transaction can be conducted by the name of the product itself like for example, in case of rice, wheat, flour and others.

(iv) The selling price may be decided by negotiation between the trader and the customer.

(v) In case of certain commodities like jaggery, the price is decided by auction method.

3.11 Quantity, Price and Turnover of various Grocery items in recent years

The following table shows the quantity, average market price and turnover of various grocery items for the past six years in wholesale Grocery Market of Pune city.

Table Showing Quantity, Average Market Price and Turnover of Various Grocery Items for the Past six Years in Pune APMC (Wholesale Grocery Market)										
Sr. No	Commodity Name	2009-10			2010-11			2011-12		
		Quantity in Quintal	Average Price	Turnover In Rs.	Quantity in Quintal	Average Price	Turnover In Rs.	Quantity in Quintal	Average Price	Turnover In Rs.
1	Rice	1697068	1792	3041145856	2006167	2390	4794739100	1766180	2500	4415451000
2	Wheat	1059623	2050	2172227150	1138759	1706	1942722800	1249691	1800	2249444200
3	Jawar	288176	1850	533125600	292710	1380	403940200	19399	2800	555517200
4	Bajara	69998	1139	79727722	74140	1270	94157600	91968	1350	124157600
5	Chili	93962	8500	798677000	75194	6859	515755646	66774	8800	587617200
6	Green Pea	57527	2304	132542208	56713	1820	103219100	48008	2150	103218200
7	Masur	14115	4964	70066860	21551	3923	84545500	22974	3680	84545500
8	Dhana(Coriander)	37300	7387	275535100	33107	5339	176762500	27751	6600	183158500
9	Harbhara	34287	2486	85237482	39350	2596	102113300	41079	3000	123238100
10	Udid	1190	4298	5114620	1461	5036	7358700	2037	4200	8558100
11	Maka	17055	1088	18555840	18396	1147	21100200	15640	1350	21113900
12	Chinch	7224	2746	19837104	9729	2027	19720600	7963	4000	31851900
13	Peanut	17939	4408	79075112	19713	5109	100713700	22171	6050	134137100
14	Alad(Turmer)	12954	8600	111404400	8895	17750	157886200	6415	10500	67360600
15	Hulga	5088	2616	13310208	5760	2950	16989000	13844	2250	31150500
16	Mug	17108	3962	67781896	16182	5900	95473800	26371	4000	105483700
17	Sul (Jaggery)	338147	3019	1020893100	394265	2615	1031002975	395877	2500	989692800

Source- Pune APMC Office

Table Showing Quantity, Average Market Price and Turnover of Various Grocery Items for the Past six Years in Pune APMC (Wholesale Grocery Market)										
Sr. No	Commodity Name	2012-13			2013-14			2014-15		
		Quantity in Quintal	Average Price	Turnover In Rs.	Quantity in Quintal	Average Price	Turnover In Rs.	Quantity in Quintal	Average Price	Turnover In Rs.
1	Rice	1515086	2900	4393749900	1796620	3400	6108508000	1633038	3550	5797284900
2	Wheat	1439620	2100	3023201000	1351005	2350	3174861750	1302790	2350	3061556500
3	Jawar	263352	2375	625461000	224131	2350	526707850	230029	2400	552069600
4	Bajara	92545	1500	138817500	85197	1650	140575050	95260	1750	166705000
5	Chili	73715	7200	530751100	56650	7250	410712500	60404	7750	468131000
6	Green Pea	54081	3400	183874900	54039	3700	199944300	56528	3700	209153600
7	Masur	17995	3900	70180800	22347	4350	97209450	24290	5100	123879000
8	Dhana(Coriander)	33083	5600	185263700	27105	6400	173472000	24264	9000	218376000
9	Harbhara	29825	4500	134213500	45565	4600	209599000	50487	3550	179228850
10	Udid	1444	4650	6715900	4222	5225	22059950	1732	6000	10392000
11	Maka	30780	1275	39244300	17388	1385	24082380	21478	1635	35116530
12	Chinch	7073	4000	28290800	6667	4300	28668100	7610	4500	34245000
13	Peanut	12013	7500	90098100	24771	6500	161011500	24124	6500	156806000
14	Rad(Turmer)	3862	7800	30123900	3822	8250	31531500	2057	10250	21084250
15	Hulga	3342	4400	14706300	5021	5875	16318250	5589	3500	19561500
16	Mug	19550	5200	101658300	23103	3250	135730125	25826	7000	180782000
17	Ful (Jaggery)	349127	2750	960099900	306293	3084	944454465	86998	2686	233633129

Source- Pune APMC Office

3.12 Recent Trends affecting the Wholesale Grocery Business in Pune City

There are many recent trends affecting the wholesale grocery business in Pune city, some of which are given below

1. Changes in the Agricultural Produce Marketing Act

In case of the agricultural sector of India, it has been proved that the monopoly of Government regulated wholesale markets in agricultural commodities has prevented the development of a competitive marketing system and has not provided any help to farmers in direct marketing, nor ensured organized retailing or a smooth raw material supply to agro-processing industries. It has also prevented the development and adoption of innovative marketing system and technologies.

Governments around the world have recognized the importance of liberalized agriculture markets. The Interministerial Task Force on Agricultural Marketing Reforms, in its report in the year 2002, had suggested promotion of new and competitive Agricultural Market in private and cooperative sectors to encourage direct marketing and contract farming programs, facilitate industries and large trading companies to undertake procurement of agricultural commodities directly from the farmer's fields and to establish effective linkages between the farm production and retail chains. There is a necessity to integrate farm production with national and international markets to enable farmers to undertake market driven production plan and adoption of modern marketing practices.

In accordance with these recommendations, the Central Government introduced the draft model legislation titled the State Agricultural Produce Marketing (Development and Regulation) Act, 2003. It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets. It also redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of Agricultural Produce. This would facilitate pledge financing, E-trading, direct purchasing, export, forward or future trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

The State Government of Maharashtra has made certain amendments to the APMC Act to facilitate this process. This includes the revised legislation concerning Direct Marketing, establishment of Private Market and Farmer-Consumer market, and also Contract Farming Agreement. Thus if such kind of private markets are established, then they pose a threat to the old and established wholesale markets, like the wholesale grocery market at Gultekdi. The number of customers coming to the Market Yard and revenue of the grocery wholesalers is bound to be adversely affected.

2. Introduction of FDI in retailing

In 1991, the Indian government introduced the economic policy to attract foreign investments and since then, it has amended the policy from time to time in various sectors to allow higher levels of foreign participation. The government policy in retail sector allows 100% foreign investment in wholesale cash-and-carry and single-brand retailing but prohibits investments in retail trading. In 1997, the government imposed restrictions on FDI in retail sector but in 2006, these were lifted and opened in single-brand retailing and in cash-and-carry formats.

The government proposes that the introduction of FDI in retailing will lead to more investments in supply chain and world class storage facilities for agricultural commodities, also it will lead to low spillage and wastage of farm produce during transportation, benefit the farmers, and increase employment and also benefit the customer.

However the wholesalers will be adversely affected by the entry of foreign players & the organized domestic players, because they will purchase the goods directly from the manufacturer, thus eliminating the need of wholesalers. Also, the innumerable small merchants and retailers in India will be adversely affected, they may lose their employment on account of competition from the organized players. The loss of business for the retailer also translates into loss of revenue for the wholesaler.

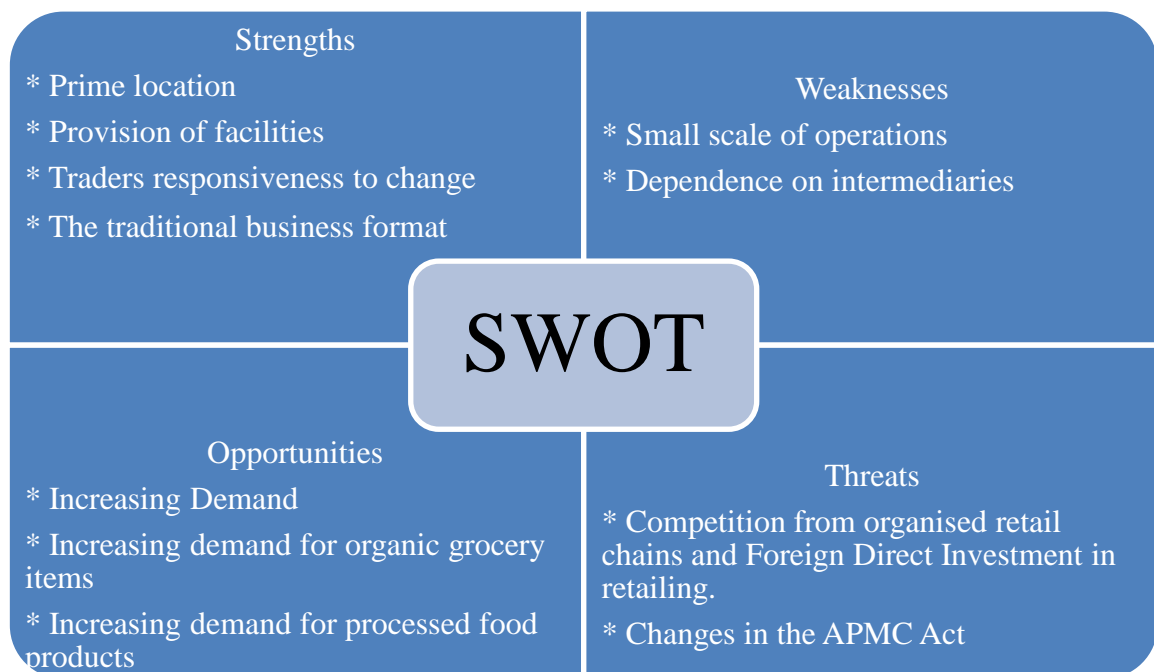
3. Changes in the tastes and preferences of consumers and change in technology.

With the boom in information technology and mobile technology, the consumers, particularly the younger generation, now prefers to buy their grocery items online or from the malls or organised retailers. The online grocery websites or the malls have their own separate distribution channel, and they can thus bypass the grocery wholesaler.

Thus the increasing preference for online purchase and purchase from malls adversely affects the wholesale grocery business.

3.13 SWOT analysis of the Wholesale Grocery Business of Pune city

Chart no. 3.3 SWOT analysis of the Wholesale Grocery Business of Pune city



a. Strengths –

(i) Prime location of the Market Yard

The current location of the Market Yard at Gultekdi, admeasuring about 57 acres, is convenient not only for the incoming goods but also for the customers. Thus there is an established market here.

(ii) Provision of facilities

Facilities like weighing, transportation, warehousing are available.

(iii) Traders responsiveness to change

The traders are responsive to changes in customer preferences, like need for packaging in small quantities, preference for branded products and processed food products and others.

(iv) In India, grocery category is more suited for brick and mortar stores

In India, research has shown that the grocery category is not suited for traditional e-commerce ventures, because of low retailer margins, complex and expensive supply chain, presence of brick-and-mortar grocery stores and the prevailing consumer behaviour⁹. Thus we can conclude that the traditional business format of wholesale grocery trade will continue in the near future also.

b. Weaknesses

(i) Small scale of operations

Most of the traders have small scale of operations or deal in a few products. Hence they cannot compete with the format of multinational wholesalers who deal in a variety of products and can obtain huge discount from the suppliers, thus obtaining economies of scale.

(ii) Dependence on intermediaries

Most of the traders depend on commission agents for establishing contact with farmers(suppliers). This leads to increase in cost, hence they cannot compete with the huge retailers like Big Bazaar, D-Mart and others having independent supply chains.

⁹www.businesstoday.in

c. Opportunities

(i) Increasing Demand

The demand for grocery and food items has increased and will continue to increase due to increase in population of Pune city.

(ii) Increasing demand for organic grocery items

With increasing incomes and changing standard of living, a niche market for organic grocery items is developing. Affluent customers are willing to pay a premium for such products. Wholesale traders can tap into this segment for higher profit margin.

(iii) Increasing demand for processed food products

With changes in the lifestyle of people, the demand for processed food products, Ready-to-eat food items is increasing. These products can add to the profit margin of the wholesaler, hence they should expand their business in these areas. For example, pickles, spices, ready to eat food mixes and others.

d. Threats

(i) Competition from organised retail chains and Foreign Direct Investment in retailing.

Competition from organised retail chain of stores like Big Bazaar, Star India Bazaar, D-Mart and others, who can source the grocery items directly from the farmers, and bypass the wholesaler.

The provision for increasing Foreign Direct investment in retailing also poses a threat for the traditional wholesaler.

(ii) Changes in the APMC Act

With the implementation of the Model APMC Act, the whole format of wholesale grocery business is changing. The wholesaler will have to keep track of these changes, and take appropriate action, to ensure that they retain their presence in the value chain. Private markets can pose a competitive element to the traditional wholesale markets.

3.14 Conclusion

The profile of the city of Pune has been changing over the last several decades. It has also been recognized as an important place of Wholesale Grocery Business. The tremendous development of the city, along with the increase in population represents a huge opportunity for the wholesale grocery business in Pune. At the same time, changes in the regulatory environment like changes in the APMC Act, introduction of FDI in retailing are bound to affect the wholesale grocery business in Pune. There could be a major change in the entire format of the wholesale grocery business in the long run. The grocery wholesale trader thus needs to be continuously aware of these changes, and take appropriate action. But one can be rest assured that his tenacity as a businessman and knowledge of the trade will help him to emerge from this challenge victoriously.

In the next chapter, we will study the organization and working of the Poona Merchants Chamber, in detail.