CHAPTER NO. 10.

GENERAL STUDY OF

PRIVATE DISTRIBUTION SYSTEM.
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STUDY OF PRIVATE DISTRIBUTION SYSTEM.

Private distribution system is totally opposite to the Government or Controlled distribution system. There are various theories related to distribution system but the present researcher is dealing with the private distribution system that means the sale and purchase of goods in the open market and that too in the open market of Akola City.

The controlled distribution system functions through Fair Price Shops dealing with wheat, rice, jowar, sugar, edible oil and kerosene. These items are taken for study from the open market system under the title of private distribution system.

There are two separate grainmarkets main grain market and subordinate grain market in which essential commodities are sold to the consumers as per the demand and supply or availability and supply ratio and there fore the sale and purchase cost of the items fluctuates as per the demand or availability ratio.

In open market costs of the goods are higher, whenever there is a more demand and less availability of that commodity. Whenever the demand is less and availability of the item is much more than the demand, the cost of the good is less. Thus the private distribution system is based on demand supply ratio and likewise the cost of the item is proportionally related to this ratio.
I) **Private Distribution System**

The private distribution system in Akola City resembles the system existing elsewhere in India. Therefore the study of Akola open market is as good as the study of Indian open market.

Rice, Wheat, Jowar, Sugar, Edible Oil and Kerosene are the items which are dealt with in this study. Wheat, Rice and Jowar belong to the category of foodgrains. Hence they are dealt in open market by business and tradesman at various levels. In the foodgrain market of Akola City there are stockists wholesalers, brokers and retailers dealing with wheat, rice and jowar and making a huge turnover of those items and making profit of this turnover.

None of the stockists wholesalers, brokers and retailers of these items are producers of these items. They simply purchase the goods from whichever the source available and sell it in the open market by making profit. Therefore the cost of sugar is seldom static and it's always much more than the cost of sugar in the Fair Price Shops.

Edible oil in the open market is of various varieties. The researcher is dealing with groundnut oil only. There are stockists wholesalers and retailers dealing with the sale and purchase of the groundnut oil. Primarily the cost of the groundnut oil depends upon the crop of the groundnut. Whenever there is a bumper crop of groundnut oil it has its effect on the cost of the
groundnut oil in the open market. Stockists purchase, groundnut oil from the producers, wholesaler purchase it from the stockists and then retailors buy it from wholesaler, they make profit at their levels. Thus the cost of groundnut oil increases when the consumer buys it from the open market. The comparative study of the groundnut oil between the open market and the control market shows that the cost of it in open market is much more than the cost of it in the Fair Price Shops.

The three tier system in the open market is that of stockist, wholesaler and retailer. At all those levels the concerned businessman makes profit. Thus the cost of the item whenever it is purchased by the consumer is much more than the production cost of it. Stockists, wholesalers and retailors range of profit depend upon the market condition that is demand supply availability of items.

The condition of sugar in the open market is entirely different from the condition of Wheat, Rice and Jowar. Sugar is a lived item and therefore bulk of the produced sugar is purchased by the Government and its agencies, thus reducing the availability of sugar in the open market. Further more the fluctuation of the cost of the sugar depend upon the release of sugar in the open market and important sugar.
Sugar stockists, wholesalers and retailers deal with the sugar available in the open market only or whenever the release of special quota of levied sugar is made available the Government, this has its impact.

Openmarket of Kerosene is totally different from the open marketing system of the goods already dealt in this chapter. Manufacturing Companies of Kerosene oil allot their agencies to such businessmen who fulfil their requirements. These businessmen having agency of particular Kerosene manufacturing company are stockists and wholesalers. Licenses are issued by the respective government agencies to retailers and hawkers. Hawkers are allotted particular localities for selling kerosene. The consumer pays the rate, fixed by the government to the retailer. But it is found that the cost of kerosene per litre in the open market is more than the cost of it in Fair Price Shops and this cost is not constant. If fluctuates as per the demand and available of kerosene oil in the open market.

II) Principle of Private Distribution System :-

There is a vast private sector in Indian economy. The private sector produces and distributes a major proportion of the total product of the country. In fact its contribution to domestic product is as much as 80 percent. However, the functioning of the market is not totally free because it is subject to certain rules and regulations framed and enforced by the Government.
The public sector, though it contributes only 20 percent to the domestic product, is of crucial importance to the nation as it manages the key industries of the economy, such as steel, power, railways, telecommunication, irrigation etc. Remaining all other essential products are produced in private sector.

a) **Demand and Supply** :-

The private distribution dealing with foodgrains and other related essential goods have the same structure as the supplies of ordinary consumer goods. In demand and supply system, the consumer is more important than the supplier. In private distribution system the supplier (Stockists, wholesalers, & brokers) measures the market capability and then, he supplies to the consumer an item which is more in demand. Wherever this system is applied, the need of consumer is exploited and the price of goods are generally raised. Thus traders and businessmen earn more profit.

b) **Availability - Supply** :-

Availability of the foodgrains and other essential commodities is generally dependent upon the harvest of the season. Whenever there is a bumper crop and the commodity is easily available in large quantity, the sellers sell their goods at a cheaper rates to the consumers.

Whenever there is a draught or heavy flood the cultivators cannot supply the commodity in large quantity.
They cannot meet the demand so the traders are not in the position to supply as per the requirement of the consumers. Hence the cost of the goods boosts up.

The profits or exploitation by the businessman in the open market system depends upon the availability, and demand.

If private distribution system is studied along with the public distribution system, the difference between them can be gauged clearly; i.e. Dual pricing of sugar refers to the policy where-by the government forces the sugar producers to sell their sugar to the Government at lower prices then the Government hand it over to the Fair Price Shops for selling at low prices levied. Consequently the industry is allowed to sell the remaining sugar at market prices. The objective is to permit producers to earn profits while simultaneously trying to protect the disadvantaged from the tyranny of the market.

The policy, however leads to the creation of two markets for the same commodity. In the absence of strict vigilance, unscrupulous elements try to divert levy sugar for sale in open market especially, when the demand is high.

III) **The fluctuations in Cost on the availability of the Items:**

   The role of Agriculture in the economy of Berar is very important. Berar is known as कन्हाड़ सोन्यावी कुन्हाड़
This means that the land gives bumper crops wherever atmospheric conditions are favourable primarily Berar i.e., Akola, Amravati, Yeotmal and Buldhana district, is famous for cotton. Along with cotton cultivation of Jowar, Wheat, Pulses and oil seeds is also done. There are nine types of cultivations out of which sedentary, dry and intensive cultivation is a carried out in this area. Food grains, oil seeds are cultivated and marketed in the major markets of the area. Jowar, groundnut pulses are cultivated in Kharif season and wheat Gram etc. are taken in the rubi season. Akola district in particular has very less irrigation and thus the majorirty of the cultivators are dependent upon seasonal rainfall. Dependency on rain-fall makes the cultivator depend upon 'Bhagya'. This has its effect on the crop, whenever atmospheric conditions are favourable, the cultivator gets maximum yield. This yield is input to the Akola market. Whenever market is full of foodgrains and oilseeds and the demand of buyer is much less the stock of the foodgrain of the dealers is much more than requirement, the cost of the related item is reduced. Thus the consumer gets rice, jowar, wheat, sugar and edible oil at lowered rates. Whenever the situation is visevers the cost of the item available in market is comparatively much more. This leads to fluctuations in the cost of the items.
Besides depending upon the atmospheric condition the fluctuation also takes place whenever import of the item takes place. Particularly local produce, inward and outward produce and import have the direct impact on the cost of the related item and thus fluctuation takes place.

IV) **Purchase - Sale Comparison**

Purchase and sale of wheat, rice, jowar, sugar and oil seeds etc. in the research are i.e. Akola District takes place at Akola city, Balapur, Akot, Barshitakli, Telhara, Patur, Washim, Malegaon, Risod, Mangrulpir, Manora, Murtizapur & Karanja. In these market places the inpur of goods takes place. Whatevr the amount out of the goods purchas a portion is stocked for the local consumer and remaining goods are sent to the other market places for sale by the dealers.

a) **Local Goods**

Akola city has a main market dealing with foodgrains pulses and sugar. Stockist and wholesalers of the Akola market make the wholesale purchase of the local produce i.e. Jowar, Wheat, Oil seeds etc. They buy rice, sugar etc. from the other main market of Maharashtra state or big cities from the other state. Thus they fulfil the demand of the residents of the area.
b) **Inward goods:**

The cultivation of rice is not done in Akola district. Hence the inward of rice is made from the other divisions of the Maharashtra State.

Jowar, 'Dadara' is a prominent inward item from Marathawada, along with other types of Jowar.

Sugar is purchased by the Akola city dealers in wholesale from sugar mill of Western Maharashtra.

c) **Outward goods:**

Wheat and rice are main foodgrains which are purchased by the dealers of Akola city from other states.

Wheat is purchased from main markets of Haryana and Punjab. Rice is purchased from the main market shops Andhra Pradesh, Madhya Pradesh and Orisa. Oil seeds are purchased primarily from Gujrat. These oil seeds are used as raw material to extract edible oil & groundnut. Edible oil is also purchased from the main market of Gujrat to meet the local demands.

Business men and tradesmen of Akola main market and other market places in Akola district donot purchase any item in excess. Every businessman has his own limit of stocking. this stocking is done whenever they feel that the cost of particular item will boost up in near future. Otherwise they buy only such items in limited quantity. Which can be easily sold to the customers. In private distribution purchase and sale ration are kept equal and intact, so as to make only profits and not to sufferloss.
V) **Investment in relation to income, profit or loss:**

Investment by the merchants of foodgrain in Akola market varied every year. The assets are of many years old. The assets in the form of land building and other fittings cannot be valued because the market rate differs from place to place and the grain market and its branches spread over the Akola city.

The investment on which the merchants get income is from the purchase and sale of goods. The investment made in purchase of essential commodities by Merchants in Akola city make investment in purchase of the essential commodities runs in to crores of rupees.

Study of 1992-1993 is done to find out the figure of purchase of wheat, jowar, rice and sugar. To get the exact amount of the purchase of above item done the figure by Agricultural produce in committee, have been taken Akola. The date does not cover the total investment in purchase of the above items by the foodgrain merchants of Akola Market.

As per the Agricultural produce committee, Akola 1992-93, the purchase is as follows -

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>1,08,63,265/-</td>
</tr>
<tr>
<td>Jowar</td>
<td>5,75,03,525/-</td>
</tr>
<tr>
<td>Rice</td>
<td>13,67,568/-</td>
</tr>
<tr>
<td>Sugar</td>
<td>43,01,976/-</td>
</tr>
</tbody>
</table>

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7,40,36,334/-

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On Wheat, Jowar, Rice, and Sugar the investment amounts to Rs. 7,40,36,334/-. The sugar purchase amounts to Rs. 43,01,976/- and this sugar was sold for Rs. 44,61,527/-. Thus the income out of this purchase and sale amounts to Rs. 1,59,551/-. The trader has made the expenditure of Rs. 19,146/-. Income minus expenditure is equivalent to profit. Thus the profit of traders in year 1992-93 in the business of sugar is Rs. 1,40,405/-. Likewise all the traders dealing with different foodgrains earned different profits, either in thousands or in Lakhs.¹

The nature of private distribution is totally different from the nature of Public Distribution System. The traders and merchants in private distribution system earned much more profit than the Fair Price Shops owners of the public distribution system.

The fluctuation of the cost of the item in private distribution system and exploitation of the consumers by the traders earned them more profit and thus their income is much more than the traders in public distribution system.

The traders in Public Distribution System are handicapped because their purchase and sale rates are fixed by the Government. There purchasers are fixed and the quote of purchase by them in relation to ration per

1) Data Collected by Researcher.
unit is also fixed, therefore their business is restricted as per the policy and the number of units allotted to them. These differences make the position of trader in Public Distribution System precarious in comparison to the traders in private distribution system.