

**NTFP Policy in Orissa
and
A Comparative Analysis
of
NTFP Policy and Prices with neighbouring States**

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Kantabanji, Balangir, Orissa
1998**

**Supported by
Bio-diversity Support Program**

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Acknowledgements

Vasundhara would like to extend its sincere thanks to the officials of various Forest Development Corporations and Tribal Development corporations of study states. It would also like to thank the officials of Girijan Co-operative Corporation Limited, Visakhapatnam, and Madhya Pradesh Minor Forest Produce Co-operative Federation, Bhopal, for extending all the help during the study.

Vasundhara also thanks the officials and students of Indian Institute of Forest Management for the help provided during the study.

Preface

Non-Timber Forest Produce

The lives and livelihoods of people living in and around forests are critically and intricately linked to forests. Rural people depend on forests for a variety of products. Apart from timber and fuel-wood, rural women and men gather a large number of Non-Wood Forest Products for consumption as well as for sale. Rural poor especially the landless depend on marginal common lands and State forestlands for gathering products for consumption as well as sale in the lean summer months. Apart from agriculture and wage labour, collection and sale of NTFP is the most significant livelihood activity for the rural poor. Thus, the issues of rights and access to forests and forest products are issues of basic livelihood to a vast majority of rural people.

Forests have primarily been managed with revenue objectives and the function of forests as provider of variety of products and services to the local population has been severely over-looked. Timber has been the main objective of forest management, with other products being treated as “Minor Forest Products”. With timber felling being banned all over, the erstwhile Minor Forest Products are now becoming the major forest products from the forests. And revenue considerations are guiding the management and regulations over NTFP trade as well. It is ironic that even for Non-Timber Forests Products management and trade, revenue objectives get primacy despite the 1988 Forest Policy laying emphasis on local needs and rights of tribal women and men.

Collection of Non-Timber Forest Products is a very labour intensive, low-returns activity and is hence taken up by the poorest sections in the village having the lowest possible opportunity cost of their time. In complete disregard to subsistence and economic dependence of local people and their ethnic/natural rights, Forests and all the products growing therein are treated as State Property and gatherers are treated as mere labour force. It is ironic that while hundreds of millions of rupees are spent on Poverty alleviation; the economic interests of the poorest of the citizens are blatantly over-looked for a gain of few millions to the State Exchequer.

In Orissa, apart from the three nationalized forest products, trading rights for almost all marketable NTFPs are given away as monopoly leases. This situation is peculiar to Orissa, and has been termed as “illegal” after almost ten years of existence by the High Court. Here it is not just the gains to State exchequer which guide the decisions relating to placing of forests, forest products and livelihoods in hands of private parties and industries. In fact, even the State has been also losing crores of revenue through these monopoly lease arrangements.

This study was taken up to look into the dependence of forest neighbouring rural population on NTFPs and analyse the existing Policy and market environment relating to NTFP trade from the perspective of its impact on the livelihood of gatherers/ producers of these NTFPs.

NTFP in Orissa

Orissa is a major producer of NTFP. More than two fifths of the states population are tribals and they depend heavily (for between 30% to 90% of annual income) on NTFP. Non tribal poor people in the vicinity of forests also depend heavily on NTFP. The access of gatherers to NTFPs and its markets is severely restricted and governed by the State Policies. Though the State Policies regulating NTFP trade are supposed to safeguard the interests of gatherers, the actual impact has not always been so. The Policy environment in Orissa was studied and compared with other States.

SUMMARY

NTFP POLICIES IN ORISSA

The Policy environment relating to NTFP trade is characterized by the following underlying tenets:

- Forests are State Property thus all products growing on forests are owned by the State.
- Revenue maximization for the State is the major objective of Forest Management.

The laws relating to forest administration do not recognize any rights of forest dependent communities on collection, processing and sale of NTFPs, except as some customary rights, if any, of local tribals to gather and collect forest produce, for bona fide consumption. Revenue maximization objective of the State over-rides the economic interest of the poor gatherers who only figure as under-paid labor in the entire NTFP trade. The potential of NTFPs to give economic returns to the poor of the State remains grossly under-utilized.

The environment relating to NTFPs is characterised by monopoly control of the State over nationalised NTFPs (three items i.e. KL, Bamboo and Sal seeds) and a defacto nationalisation of all other marketable NTFPs as well though monopoly leasing of procurement rights over these NTFPs to TDCC and a Joint-sector Company. The overall impact of state regulations over NTFP trade are:

i) ***Depression of prices received by the primary collectors*** for NTFPs, specially due to monopoly leases and high royalty fixed by the Forest Department, with a resultant deprivation of their livelihood.

ii) ***Restriction on Processing/ Value Addition on NTFPs by primary collectors thus restricting avenues for increase in income and employment at the village level.***

iii) ***Low utilization of potential of NTFPs*** due to low returns to the primary collectors as they find it uneconomic to collect NTFPs if the prices offered to them are too low. Apart from the implications on the livelihood of the primary collectors, it also leads to loss of income to State.

iv) ***Continued exploitation of the tribals and other forest dependent communities by the traders/moneylenders.*** As discussed earlier the monopoly system has not been able to eliminate the exploitative traders, who now operate either as unofficial sub-agents of the monopoly procurers or collect forest products without a license.

v) ***Loss of revenue to the State Government:*** Organizations like TDCC, in spite of having monopoly procurements rights over many products, have neither been able to serve their objective of welfare of tribal people and nor have they been able to provide revenue to the State Exchequer. Despite efforts to check illegal trade and smuggling of forest products by control in trade, it still continue with consequent loss to the state exchequer.

vi) ***Low stake of forest dependent communities in sustenance of forests*** : The chords of symbiotic relationship of forest dwellers with forests has been severed through changes which have led to State appropriation of local resources disregarding local natural rights. Due to the treatment of the primary collectors only as wage labor rather than producers, and due to the low returns to them from the collection of forest product, their stake in protection of forests have been reduced.

A comparison of NTFP policies of Orissa with its neighbouring states reveals that Orissa has a particularly regulatory NTFP trade environment and offers the worst deal to the NTFP gatherers. The following are few of the most striking differences:

1. Orissa is the only state to practice the system of monopolistic leases to private individuals and organisations whose controlling interest lie in private hands. None of the neighbouring states practices such a system.
2. Both Andhra Pradesh and Madhya Pradesh have started group insurance schemes for Kendu Leaf collectors. Orissa does not have any such system.
3. MP has a system of bonus payment to the collectors. Orissa has a system of Kendu Leaf Grants, whose benefits do not really reach the collectors.
4. In MP Mahua flowers and seeds have been taken off the specified list in 1972 and the trade made free again. Orissa still has Mahua seeds and flowers on the specified list.
5. GCC of Andhra Pradesh is reimbursed for all its expenses and pays no royalty or purchase/sales tax. The TDCC of Orissa receives a managerial subsidy of just 20 lakh rupees, less than 15% of its total expenditure (about 140 lakhs, and pays royalty to the tune of 80 lakh rupees and purchase /sales tax amounting to 15 lakh rupees.

The prices paid to the primary collectors of NTFP are unreasonable and exploitative. Prices are low even in case of products for which the Government acts as the sole trader. A comparison between the share of the Kendu Leaf pluckers in the total revenue generated from the activity in Orissa and its neighbouring states points out that Orissa has consistently been the state passing on the lowest share to the Kendu leaf pluckers.

Share of Pluckers in Kendu Leaf Revenue

	Madhya Pradesh	Andhra Pradesh	Orissa	W. Bengal	Bihar
1989-90	16		7		
1990-91	45		15		
1991-92	32		19		
1992-93					69
1993-94		44	19		71

The Tribal Development Co-operative Corporation Ltd. of Orissa (TDCCOL), hardly a co-operative except by nomenclature, has consistently been paying the primary collectors prices lower than its counterparts in the neighbouring states. A comparison between the prices for Tamarind paid by TDCCOL and its counterpart in Andhra Pradesh; the Girijan Co-operative Corporation (GCC) explains things better.

Collection prices for Tamarind paid by TDCC and GCC (Rupees per Quintal)

Agent	1990-91		1991-92		1992-93		1993-94		1994-95	
	Sed	Des	Sed	Des	Sed	Des	Sed	Des	Sed	Des
TDCC	222	334	193	326	225	325	227	415	253	462
GCC	269	602	243	524	268	436	356	641	399	705
PT/PG (%)	83	55	79	62	64	75	64	65	63	66

Sed = Seeded Tamarind, Des = De-seeded Tamarind
PT = Price paid by TDCC, PG = Price paid by GCC

In the last few years the importance of NTFPs as the livelihood of the poor in general and tribals in particular has come to be increasingly recognised by all. The role of NTFP based income and subsistence is vital for in times of drought and other agricultural calamity and this needs to be given adequate emphasis in the state policy. In this context the NTFP policy in the state needs to be revamped and made more tribal friendly.

Chapter 1

INTRODUCTION

All the forest products except timber are collectively referred to as Non Timber Forest Products (NTFP). The term includes all the animal products also. There are 3000 varieties of plants occurring in the forests of India yielding a wide variety of products (Negi, SS, 1992). The products include fibres, flosses, grasses, reeds, cane, fodder, essential oils, tannins, dyes, medicinal plants, oilseeds, edible products, leaves and animal products like honey.

NTFP play a significant role in the local economy of Orissa. They contribute about 25 to 40 % to the income of the tribal communities who constitute about 22% of the state population. Besides they provide an additional source of income during agricultural lean seasons. Most NTFP are low value items and the economically weaker strata of the society collect them. Promoting NTFP oriented use of forests can enhance the control of poor over forest resources.

At present almost all commercially important NTFP are nationalised and its trade is monopolised by the government. This severely restricts the incomes that gatherers can get from NTFPs. The study was taken up in the backdrop of the need to analyse the existing and market Policy environment to understand the changes required in the State leasing policy to enhance incomes of forest dependent people from NTFPs. The following aspects were looked into:

- Existing NTFP related policy of the State for NTFP and comparison of NTFP Policies of Orissa with its four neighbouring states i.e. Madhya Pradesh, Andhra Pradesh, Bihar and West Bengal.
- Procurement policy, procurement channels & value addition mechanisms
- Market study of various NTFP, product analyses. Value addition at various stages, pricing, and users
- Policy level changes required
- Marketing of NTFP and potential for NTFP based micro- enterprises.

ORISSA

Chapter 2 KENDU LEAVES

Species: *Diospyros melanoxylon*, *Diospyros tomentosa*

Family: *Ebenaceae*

Kendu Leaves¹ i.e. the leaves of these two species are used as wrappers for Bidis (Indian cigarettes). *Diospyros melanoxylon* grows in the sub-Himalayan tract from the Ravi to Nepal, Eastern Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar, Orissa, Andhra Pradesh, Gujarat and Maharashtra.

Kendu tree is medium sized and occurs naturally on barren as well as cultivated soils. The tree reproduces through seedling regeneration, coppice and root suckers. The leaves are elliptical in shape, rounded at the base and vary from 10-30 cm. in length. Leaves from bushes are generally larger, thinner and relatively more pliable than the leaves of mature trees. The trees shed leaves between December to March and new flush of leaves comes out between late February to early March depending on the species and weather conditions. The flush of new leaves is collected for Bidi wrapping purpose.

The collection of the leaves starts by the third week of April and continues till a week prior to the expected arrival of monsoon. The leaf plucking activity takes place during the lean agricultural period and therefore provides employment to land-less agricultural labourers when it is of prime importance. A study by Gupta and Guleria estimates the total annual potential employment in the Kendu leaf collection, drying and bagging process to the tune of 107,000 man years.

The collectors of leaves tie them in bundles and the number per bundle varies between 20 to 100 in different states. The bundles are left in the open for drying for one week. The dried leaves are sprinkled with water, made in to bundles and then packed in gunny bags. Each standard bag is supposed to contain 50,000 leaves. Then they are brought to godowns where they are stored for delivery to purchasers.

The trade in Kendu leaves had earlier been in the hands of individual traders who used to purchase rights to collect leaves from the state forests through annual auctions. Contractors determined the wage rate for collection and used to pay low wages. The traders also used to enter into long term agreement with individual growers resulting in a loss of royalty to the state governments. The state governments tried to rectify this situation by taking the control of the trade by govt. orders and legislation. Orissa was a pioneering state in this regard where a partial control over Kendu leaf trade was introduced in 1961. The M.P. government passed legislation in 1964 creating a state monopoly in the trade. The state governments of Bihar and Andhra Pradesh passed legislation in 1971 and 1974 respectively, creating a state monopoly in the trade of Kendu leaves. A few common features of these acts are:

- a. Registration made mandatory for the growers and traders of the leaf and Bidi manufacturers.
- b. Only authorised government agents can purchase Kendu leaves from growers and collectors.
- c. Selection of bulk purchasers of leaves through tenders and auctions.
- d. Fixing of collection prices for leaf pluckers by an advisory committee comprising representatives of growers, pluckers and traders.
- e. Regulation of transport of leaves through transit permits.

The following discussion makes an attempt to analyse the trading system in Kendu leaves in the states of Madhya Pradesh, Andhra Pradesh, Bihar, West Bengal and Orissa.

¹Known as Tendu leaves in Hindi, Abnus or Tumki leaves in Telugu.

TABLE 2.1: Current annual production (for the year 1996) in different Kendu producing states.

State	Stated Production	Production in Quintals
Madhya Pradesh	45-50 lakh standard bags ²	28.50 quintals
Orissa	5.15 lakh quintals	5.15 quintals
Bihar	8.07 lakh standard bags	4.03 to 4.84 quintals
Andhra Pradesh	3.53 lakh standard bags	1.77 to 2.12 quintals

Madhya Pradesh

The trade is regulated under the Madhya Pradesh Tendu Patta (Vyapar Viniyaman) Adhiniyam, 1964. Prior to the passing of this act the trade was in the hands of private traders. This act enabled the government to take over the control of the trade of Tendu leaves. The act vested with the state government the power to purchase, transport and sell Tendu leaves.

The Tendu leaf areas were divided into units and an agent was appointed for each of them. The agent collected the leaves and delivered them to the purchaser who was selected in advance for the unit. The purchaser made the payment after delivery of the leaves. The purchasers put on record less than the actual off-take of the number of standard bags, thereby causing considerable losses to the government. To rectify the situation the govt. introduced the concept of advance lump-sum payment in 1980 and also appointed MARKFED as an agent in some cases.

The State Minor Forest Produce (Trade & Development) Co-operative Federation (SMFPCF for short) was formed in 1984 and collection work was entrusted to Large Area Multipurpose Societies (LAMPS) & Primary Co-operative Societies (PACS) in a few districts. In 1988, the government decided to hand over the collection of Tendu leaves to primary co-operative societies of the collectors. A three tier structure was created with Primary Forest Produce Co-operative Societies (PFPCS) at the bottom, District Forest Produce Co-operative Union (DFPCU) in the middle and SMFPCF at the top.

The primary co-operative societies received commission @ Rs.10 per standard bag but the amount was not to be less than 3% of the total sale amount. The district unions were paid @ Rupees 3 per standard bag but the amount was not to be less than 1% of the total sale amount achieved by the district union. MFPCF received a commission of 2% on the sale amount received by the sale of leaves in the whole state. The government later on reduced the commission of MFPCF & DU to Rs.1 per annum (a token amount).

The Current Scenario

The state has around 30,000 collection centres. A Phad munshi (clerk) is appointed for the purpose of collection and wage payment. Each primary society appoints a nodal officer to regulate the flow of cash to Phad Munshis. Infrastructure facilities are provided to the nodal officer during the collection season.

The federation has started a group life insurance scheme for the Tendu leaf pluckers of the state. All the pluckers in the age range of 18 to 60 years, numbering around 15 lakhs have been insured. The scheme envisages a payment of Rs. 3000 in case of normal death and Rs. 6000 thousand in case accidental death to the nominee of the deceased. The government has also introduced a system of bonus, which is to be paid out of the total profit of the government.

²One standard bag contains 50-70 kilos of dry leaves(Gupta and Guleria, 1982)

The 1996 purchase and sale prices are as follows:

Collection Charges	= Rs. 300/ Standard bag
Other Charges	= Rs. 160/ Standard bag
Total cost	= Rs. 460/ standard bag
Average tender price	= Rs. 810/ standard bag
(Price range Rs. 400-1400/ Standard bag)	
Royalty for the state	= Rs. 340/ standard bag

Table 2.2 The share of primary collectors in the trade:

Year	Collection Price/Std. Bag	Sale price/ Std. Bag	Share of primary collectors
1989-90	150	932	16%
1990-91	250	554	45%
1991-92	250	758	32%
1995-96	310	810	37%

The share of primary collectors increased significantly in 1990-91 due to an increase in collection prices from Rs.150/Std Bag to 250/Std Bag and also due significant fall in the sale price per bag. This shows that interest of primary collectors can be protected in such situations by the existing mechanism. But such a system does not ensure a proportionate return when the sale prices increase significantly. The sale price increased from Rs.554/Std Bag to Rs.758/Std Bag, but instead of an increase in the share of primary collectors, exactly opposite happened because the collection price remained stagnant.

Andhra Pradesh

The Bidi leaf trade in Andhra Pradesh is governed by A.P. Minor Forest Produce (Regulation & Trade) act, 1971 and Andhra Pradesh Minor Forest Produce (Regulation of Trade in Abnus leaves) rules, 1970. The leaves are known as Abnus leaves and Bidi leaves in official parlance and Tumki leaves in the leaf producing areas. The trade in Bidi leaves was nationalised in 1971 with the passage of the above-mentioned act. The government appointed Andhra Pradesh Forest Development Corporation Limited as its sole agent to collect, store and sell Bidi leaves.

The Bidi leaves collection takes place on a large scale in the Telengana region of Andhra Pradesh comprising Khammam, Warangal, Adilabad, Nizamabad and Hyderabad districts. Each district is divided into units and each district has a number of collection centres (known as Khalla in the local parlance). There are 369 units and 3750 Khallas in all.

The corporation floats tenders for advance sale of Bidi leaves during November-December. The rate is quoted on weight basis (Rs. / Kg.). The rate is quoted for an entire unit. The corporation also floats a tender for gunny bags which are bought in bulk and dispatched to units. The DFO invites tenders from transport agencies for transporting Bidi leaves to Khallas (only for areas, which require such kind of transportation). The whole process can be summed up as,

- Appointment of Khalladars (collection centre agents)
- Calling tenders from purchasers/transport agencies and producers of gunny bags
- Coppicing and pruning
- Collection of Bidi leaves
- Curing of Bidi leaves
- Transportation to the unit godown
- Storage
- Weighing

Some salient points of the above processes

Youth of scheduled castes schedule tribes and backward castes are given preference in appointment of Khalladars.

The Khalladars earn between Rs. 3000 to Rs. 6000 per season.

A person collects about 5000-7000 leaves per day.

The statistics related to collection and marketing of Tendu leaves between 1992-1996 is shown in the following table:

	1992	1993	1994	1995	1996
Production(Std bags)		407749	324855	275496	353762
Purchase rate					
a. Pluckers (Paisa/100L)		65	65	90	95
b. Growers (Rs./Std bag)		650	650	900	950
Total sale value (lakhs)	5699.9	5965.0	5891.9	5025.1	6710
Sale price/ Std Bag (Rs.)		1462	1813	1824	1896
Royalty (Rs. Crore)	20.63	17.2	16.79	23.02	13.35
APFDC commission					

The entire net surplus is given to the government in the form of royalty

One standard bag consists of 1,000 bundles, each bundle containing 100 leaves.

Std Bag: Standard bag

Table 2.3 Share of primary collectors in the total revenue:

Year	Rate of collection per Std bag (Rs.)	Sale price per Std bag (Rs.)	% share of primary collectors
1993	650	1462	44
1994	650	1813	35.8
1995	900	1824	49.3
1996	950	1896	50.1

Other benefits to primary collectors and forest department staff

Group Insurance Scheme

- All the Bidi leaf collectors in the age range of 18 -59 years are covered under a group insurance scheme, which was started in 1991. A premium of Rs.15 was collected from the primary collectors and an equal amount was paid by the life insurance Corporation from its social security fund. From 1992 the forest department started paying the premium in lieu of primary collectors.
- In the case of natural death, the nominee of the insured will get a sum of Rs. 3000 and in case of accidental death the amount will be Rs. 6000.
- All the forest department staff engaged in the collection work are also insured at the cost of government.

Bihar

The trade of Kendu leaves in Bihar is governed by the provisions The Bihar Kendu Leaves (Control of Trade) act, 1973. The act empowers the government to divide the Kendu producing areas into units and each unit may have a number of collection centres. An agent is appointed to look after the operations of a unit. One agent can be appointed for a maximum of three units.

The trade of Kendu leaves was partly handed over to the FDC in the district of Palamu in 1986. The FDC was appointed the sole agent of the government for the entire state in 1988. Nationalised banks finance the entire trade activity.

Before the corporation took over the trade the primary collectors used to Rs. 52 per standard bag *. The rate was increased to Rs 65 per standard bag in the first year itself by the FDC and after that it has been revised a number of times. The current rate is Rs. 225 per standard bag with the last revision-taking place in 1994. The estimated employment generated from the collection, transport and bagging of the leaves is around 6 million person-days.

Rules related to registrations of Growers

- A grower of Tendu leaves has to get himself registered if his annual production is expected to be more than one standard bag.
- Every trader and exporter of Tendu leaf and every manufacturer of Bidi has to get himself registered by paying fees depending on the size of his operations.

Table 2.4 Statistics related to the Kendu Patta trade in Bihar for the last five years:

	1992	1993	1994	1995	1996
Production(Std Bag)	5,75,000	4,76,000	4,98,000	5,70,000	8,07,000
Sales (Std Bag)	5,62,000	4,54,000	4,73,000	5,66,500	8,06,800
Total sale value (Crore)	16.15	12.63	18.09	20.24	32.15
Sale price/ Std Bag (Rs.)	287	278	382	357	398
Purchase rate (Rs.)	200	200	225	225	225

One standard bag contains 1000 bundles, each bundle having 50 leaves.

The entire surplus is given to the government as royalty

Table 2.5 Share of primary collectors in the total revenue:

Year	Collection Rate /Std Bag	Sale price/Std Bag	% share of primary collectors
1992	200	287	69
1993	200	278	71
1994	225	382	58
1995	225	357	63
1996	225	398	56

West Bengal

The task of co-ordinating Kendu leaf trade in West Bengal has been given to West Bengal Tribal Development Co-operative Corporation Limited (WBTDCC). It was started in 1976, under the West Bengal Co-operative Societies act, 1973.

The task of collecting Kendu leaves has been given to LAMPS. LAMPS appoint agents whose job is to supervise the collection process at collection centres. The agent (called munshi in the local parlance) has to pay the primary collector the minimum collection price as fixed by WBTDCC. LAMPS hand over the Kendu leaves to WBTDCC which sells them through either inviting tenders or auctions. The bidders are mainly Rajasthani businessmen who hold a monopoly over NTFP trade in West Bengal. The auctions are conducted at Calcutta and other regional offices of TDCC.

The sale of Kendu leaf is subjected to the following conditions:

1. The sale is on as is where is basis and no rebate is given.
2. The TDCC is not bound to except the highest bid and has a right to invite fresh bids.
3. The bidder has to deposit 15 % of the purchase value as security deposit out of which 5% has to be deposited immediately and 10% within seven days. In case of non-payment the bid is cancelled and any loss has to be born by the bidder. The successful bidder has to lift the material within 30 days of the auction date. This limit may be extended if the purchaser pays 25% of the sale value within 30 days.
4. If after the full payment the bidder fails to lift the stock , he will have to pay incremental rent at the rate of
Rs. 1/bag - 31st - 60th day.
Rs. 2/bag- 61st - 80th day.
5. Beyond 80th day the TDCC may invite fresh bids and the original purchaser will be paid money after deducting sale charges and the godown rent. In case of any shortfall from the original price the purchaser shall be liable to pay the cost of auction and godown charges with an interest @ 18% per annum.

The collection charges are fixed by an advisory committee comprising,

- a. Chairman and MD of TDCC
- b. PCCF
- c. Representatives of traders and LAMPS

The costing of the final produce is done as follows,

For auctions a minimum offset price is fixed by taking the following costs into account.

- a. Collection charges
- b. Commission for bagging
- c. Transportation charges (borne by LAMPS)
- d. Godown rent
- e. Royalty - Rs. 500,000 per annum
- f. Damage charges @ 5%
- g. Interest = $0.5 \times R/100 \times (\text{Collection charge} + \text{Commission} + \text{Transportation charge} + \text{Godown rent} + \text{Royalty})$
- h. Overheads = 10% of the total direct cost
- i. Turnover tax = 9.5 % of the sale price
- j. Total indirect cost = g + h + i
- k. Sale price = Total direct cost + Total indirect cost + Profit margin

Share of various agencies in the total revenue generated

- TDCC - 4% interest on loan amount given to LAMPS
1% of total sale price as administrative expenses
- LAMPS - Total sale value - share of TDCC

Orissa

Kendu leave plucking is one of the largest source of livelihood for the poor in the Western and Central parts of the State (Bolangir, Sambalpur, Kalahandi, parts of Koraput, Angul, Sundargarh, Keonjhar and Phulbani Districts). All over Orissa, it generates more than one crore person-days of employment during the lean summer months for the lakhs of poor tribals & Scheduled caste women and men.

Regulations over Kendu leaf Trade

The government of Orissa introduced partial control over Kendu Leaves trade in 1961 prior to which individual traders controlled the trade and cheated both the primary collectors and the State. From 1973, Kendu leave collection and trading was Nationalized through a notification under the Kendu Leaves (Control of Trade) Act, 1961, and departmental working of Kendu leave was taken up. The practice continues till date. The procurement of Kendu leave from the pluckers/ growers, preliminary processing like drying, binding storage etc. is done by the Kendu Leave Department which functions under the control of the Forest Department, Government of Orissa. Marketing of KL³ is done by the Orissa forest Development Corporation Ltd. (OFDC), which gets a commission for this. A large infrastructure with both permanent and seasonal staff is engaged for this.

One of the objectives of the Nationalization was the elimination of private traders from the KL trade in order to reduce the exploitation of the KL pluckers. However, unfortunately things haven't changed much for the primary collectors, with the only difference of the State replacing the private traders. The Government continues to treat revenue generation as its primary objectives in the Kendu Leaf trade, and this significant revenue generating activity of the GoO is based largely at the cost of the primary collectors. From the Government's perspective, the primary collectors are mere unskilled wage labor "employed" by the State to collect produce from their lands, or collect produce which even when growing on their land, is considered as State Property by virtue of being Nationalized. cially women and children. Assuming that it generates at an average 20 days of employment per HH, at least 5 lakhs poor households in these districts are critically dependent on Kendu leaves collection, earning at an average Rs.580 per hh (1993-94) even at the current depressed prices. In these districts the income of more than 60% of the Households are below the state determined poverty line of Rs.11,000/-per year. During the summer months, when there is no alternate source of employment, Kendu leave collection and sale means the difference between survival and starvation to a large number of poor in the State. It is also one of the few source of liquid cash to the poor in the Kendu leave collection areas.

The Kendu leaf trade in Orissa is governed by The Orissa Kendu Leaf (Control of Trade) act, 1961 and rules made under the act in Orissa Kendu Leaf (Control & Trade) rules, 1962. The act created a state monopoly in Kendu leaf trade whereby purchase from primary collectors or growers and their subsequent sale came under the control of government departments or agents of government.

Salient features of the KL (Control of Trade) rules

- Different prices may be fixed for the purchase of Kendu leaves from different units.
- Each district is divided into units and each unit has a number of collection centres.
- The agent of the government is bound to purchase the leaves brought for sale at the predetermined rate, provided in the opinion of the agent leaves are fit for wrapping Bidis.
- The leaves purchased by the government shall be sold or otherwise disposed off in a manner as government may direct. But the government can not create a monopoly in favour of third parties from its own monopoly. (A Cuttack high court judgement, ILR 1969 Cutt 841:35 (1969) CLT 479.

The state government had invited tenders only from persons who had purchased Kendu leaves during previous years to the satisfaction of the government. Some aggrieved parties challenged the action of

³ KL Kendu Leaves

the government in the court and Supreme Court ruled that the government action was invalid because it violated the fundamental rights of petitioners (AIR 1969 SC 1081).

- Out of the net profit derived by the government an amount not less than 50% of the total shall be paid to Samitis and gram Panchayats.

After the nationalisation of Kendu leaf trade in 1973 the responsibilities related to collection and marketing were given to the forest department and Orissa Forest Corporation (Now known as Orissa Forest Development Corporation) respectively.

The Kendu leaf wing of the forest department does the collection and then the produce is handed over to OFDC for sale. OFDC auctions the entire stock of Kendu leaves at the auction centres of Sambalpur, Bhubaneswar, Madras and Calcutta.

The revenue generated is distributed as follows:

OFDC -- 7% of the aggregate sale value

This 7% is taken under the following heads

- 4% as commission
- 1% as maintenance of central godowns
- 2% as marketing and sales commission

State government's Share

The state government receives the entire amount after deducting the total expenditure and OFDC amount.

Table 2.6 : Production and Sale Kendu leaf

	1992	1993	1994	1995	1996
Production lakh quintals	5.09	4.93	4.91	3.86	5.15
Total sale value (Crore)	137.16	146.51	132.4	116.44	98.7 (Till Dec.)
Sale price/ quintal (Rs.)	2695	2942	2883	3168	
Purchase rate (Rs. per qtl)	650	700			
Royalty (Crore)			66.19	47.48	

One standard bag contains 1000 bundles, each bundle having 50 leaves.

Table 2.7: Share of primary collectors in the total revenue:

	1989	1990	1991	1992	1993
Total revenue	153.26	111.8	137.7	137.16	146.51
share of primary collectors	12.22	17.38	26.40	28.57	27.47
% Share out of total revenue	7	15	19.1	20.8	18.74

An analysis of the Government figure related to KL revenues in 1993-94, indicates that the procurement wages given to primary collectors is merely 18% of total sales turnover, whereas the profit to State is almost 50% of sales turnover. This trend holds for almost throughout the period after

Nationalization, with the maximum royalty received by State Government in 1989-90 i.e. a sum of Rs.114.98 cores whereas the wages paid to the KL pluckers was only Rs.12.22 crores.

The royalty on KL received by the State Government varies from Rs. 12.71 crores in 1984-85 to Rs. 114.98 crores (1989-90). The relationships between the averages of Royalty, remuneration to KL pluckers and the total sales turnover of KL for the last ten years is given below.

Average of 10 years (1984-94)	
Royalty as a percentage of Sales turnover	54%
Remuneration to KL pluckers as percentage of sales turnover	16%
Remuneration to KL pluckers as percentage of Royalty	30%

The remuneration to KL workers per leave has increased slowly from 0.17 paise/leave in 1984-85 to 0.5 paise/leave in 1992-93. In spite of repeated agitations, in 1996-97, the KL procurement price has been increased by a measly 16% to 35 paise for six leaves (0.58 p/leave). This translates to only 3% increase annually, compared to an average inflation rate in double digits during the same period.

Revenue generation in Kendu Leaves is primarily based on the labor and resources⁴ of deprived sections. For example, in the production process of K.L., for every Rupee paid to the Primary collectors, the State appropriates a profit of Rs.2.50/- (1993-94) to Rs. 9.00/- (1989-90). No attempt was made to have a greater share in the KL trade retained by the collectors who are the poorest sections of Orissa' s people instead of maximizing profits to the State.

The roots of this problem lies in the Colonial heritage of the Forest laws which abolish the Natural and ethical rights of the people on those Natural resources on which they depend for their livelihood. Thus the KL (Control Of Trade), 1961, extinguishes all rights of people on K.L. in the favor of the State, wherever it is found, in forest lands, on non-forest commons or even on private landholdings. It condemns the KL pluckers to be mere unskilled wage laborers, without any rights on a Natural product whose extraction cannot be possible without their efforts. This Act enshrines revenue maximization as the prime objective.

A comparison between the prices offered to the KL pluckers in the neighboring states of A.P., Bihar, M.P. and West Bengal shows that Orissa offers the lowest price for per hundred leaves to its KL pluckers; while the KL produced in the State are of superior quality.

The Government takes pride in its KL policy as an enlightened one wherein the Government provides 11 million person-days of labor to the poor in the State. It prefers to ignore that massive profits are taken in form of royalty at the cost of the same poor, without investing anything for the Kendu Leave production - even the establishment expenses are deducted before the royalty is calculated. No part of the surplus generated from the Kendu leaves is shared with the Kendu leaves pluckers whose labour make the production possible.

Exploitation of KL pluckers is further amplified due to delayed and even non-payment of dues to the pluckers, underpayment, harassment by rejection of leaves etc. Though the KL pluckers have been

⁴ Forests and Marginal common lands support the landless and the poorest for subsistence and livelihood and these resources by virtue of being treated as State Property are placed out of the hands of the poor to generate revenue for the State at the costs of livelihood of the poor.

agitating for higher procurement prices and other basic facilities such as coverage under insurance, umbrellas and slippers for collection in the sun etc., their demands remain unheard and unfulfilled.

Kendu Leaf Grant to Gram Panchayats and Panchayats Samities

50% of the profits from the Kendu Leaves trade are to be shared with the Panchayat Samities and Gram Panchayats as per the Kendu Leaves (Control of Trade) Act. However from 1983, the Government has not been able to calculate the profits from KL trade and hence has not released KL grants, instead on an ad-hoc basis 10 crores annually have been released as ad-hoc KL grants to the Panchayats. It is appalling that for the last over 15 years the Government has not been able to work out any basis of calculating KL profits and has used that as an excuse to forfeit its legal commitment to share KL profits with local people.

The KL grants to the various Panchayats in various districts is not necessarily based on the collection from those areas. As an example KL grants in Bolangir district is being presented here. Even though the Contribution of Bolangir district to KL collection in the State in terms of value of production is 25%, the share of the district in ad-hoc KL grants to Panchayats has been 14% during 1993-96 period. The loss to Bolangir district on account of this faulty profit sharing mechanism is to the tune of 14 crore rupees per annum. This works out to a per capita loss of Rs 115 per annum. At today's prices this amounts to more than 45 days subsistence per capita. If this money were to be channeled to the bottom one-third of the population this would imply more than 140 days of subsistence per individual.

Table 2.8: KL Grant to the Bolangir District

	93-94	94-95	95-96
KL Grant District (in millions)	14.2	14.25	13.66
KL Grant State (in millions)	100	100	100
KL Grant(District/State)	14 %	14 %	14 %

There is conceptual flaw in the KL grants concept. The KL grant concept even if properly implemented would lead to the transfer of the benefits from the Kendu Leave pluckers to others in non KL growing areas or even in the same areas would be appropriated by the powerful rural elite who tend to dominate the Panchayat level politics.

Kendu Leaf trade is a stark example of Government Policies leading to impoverishment of rural poor. A more reasonable profit-sharing mechanism through which the primary producers get a fair share of the value of the Kendu Leaves can lead to a rise of income of these KL pluckers by three times, and can help these pluckers many of whom are below the poverty line. At an average, a poor Household in Bolangir District earns around Rs.1000/- per season from Kendu leave collection. Foregoing the Royalty would increase this income by three times.

Delayed Payment and Under-Payment for Kendu Leaf:

Delayed payments for Kendu Leaf is a very serious problem. KL collection takes place in the Summer months which are the toughest time for villagers to survive. Delays in payment of wages for KL collection affects collectors severely. Sometimes it is after more than a year that pluckers get their dues. A delay of 4 to 6 months is quite common. This has serious impact on the pluckers. The delayed payments of KL wages pushes collectors to money lenders. Many cases have been noticed where villagers have taken loans from money lenders (at times from local Phadi munshis acting as money lenders) against their KL cards. With the high interest rates operating for the local credit system, when the payments finally come there is a big dent in that paying off the interests on the loans taken. Timely payment of KL wages

can make a significant difference to lives of people and in reducing incidences of indebtedness.

In case of Kendu leaves the Munshis very often ask people to collect more than the regulation 20 leaves per bundle. Some times they demand bundles of 25 leaves. In one of the two study villages the KL collection cards reported collections in terms of multiples of 50 bundles. Upon inquiry it was found that the Munshi rounded off the collection down to the last multiple of 50. That is a collection of 180 bundles would be put down as 150 bundles. There is no incentive for collecting better quality leaves. Hence the pluckers do not care to concentrate on collecting quality leaves.

Chapter 3 SAL SEEDS

SPECIES: *Shorea robusta*
Family: Dipterocarpacea

The tree is mainly found in the states of Orissa, Madhya Pradesh, Bihar, Uttar Pradesh and West Bengal. Sal forests are classified into two types, namely dry and moist and occupy an area of 1,14,000 Sq. Km in the country. The collection of Sal seeds generates large-scale employment in rural areas of M.P., Orissa and Bihar. During 1987, the total amount of Sal seed collected in the country was estimated to be over two lakh tonnes, generating employment of about 13 million persondays.

The viability of its seed is short and rarely does it last for more than two weeks. Flower buds appear in March/April and fruit ripens by mid May and falls on the ground due to wind. A typical Sal seed contains 47 % kernels (by weight) and 23% wings (Tewari, 1994). After the removal of wings by either burning or rubbing, the seeds are crushed under wooden planks for decorticating. Nowadays a mechanical decorticator is also being used, which decorticates between 1-2 tonnes of Sal seeds per hour.

Sal seeds are collected till the end of June and collection stops on the arrival of the monsoon. The kernels yield 10.5 - 17.1% of oil, which can be extracted by solvent extraction process. Sal seed oil is also re-crystallised with the help of organic solvents.

Uses of Sal oil & de-oiled Sal cake

The oil is used locally for cooking and lighting. It is also used as an adulterant in Ghee. The oil becomes suitable for soap making after blending with softer oils. The oil resembles cocoa butter and after refining, it is used in chocolate and confectionery making. Sal cake is used as cattle feed and poultry feed. Hindustan Lever Research Centre, Bombay, has been successful in removing the unpalatability of Sal meal by ammoniation process thereby making it fit for cattle consumption. It is also used as fertiliser.

Madhya Pradesh

The trade is governed by M.P. Van Upaj (Vyapar Viniyaman) Adhiniyam, 1969. The word Sal seed was added to the list of specified forest produce by a government order in 1975 thereby creating a state monopoly in the trade of Sal seeds. After the establishment of M.P. Minor Forest Produce Co-operative Federation, it was made the sole agent for purchase and sale of Sal seeds.

The government of M.P. in 1981 had decided to grant concessions for supply of raw materials to two Sal seed based industries namely, Sal Udyog and Bastar Oil Products. The government reserved 66 units for exclusive supply of Sal seeds to these industries. They were awarded a long-term lease of 12 years for these units. M.P. Oil Extraction Private Limited challenged the reservation in the Jabalpur high court. The company charged that the reservation made in favour of these two units was a case of discrimination against the existing units and should be made invalid. The government replied that special concessions were granted only for the first few years so that the new units can attain the full productive capacity without incurring undue financial hardship. The high court dismissed the petition thus validating the government order. The judges cited an earlier order where a similar reservation made in favour of co-operative societies was upheld by the high court. (M.P. Oil Extraction Private Limited, Raipur and others Vs. State of M.P. and others, 1983, M.P.L.J. 579.)

The state is divided into units for the purpose of collection. The MFPCF fixes the upset prices and invites tenders for purchasing estimated quantities of Sal seeds from different units. The highest bidder is awarded the contract. The federation does not guarantee the availability of estimated quantity of Sal seeds but if the produce is available in excess quantity the same is made available to the purchaser at a discounted price. Agents are appointed for all the sold units and unsold units are

worked departmentally. The prices, which are to be paid to the primary collectors, are based on the recommendations of an advisory committee. Different price may be fixed for different units.

Registration requirements

- a. A person may transport up to 50 Kg. of Sal seeds to a place where Sal seeds are required for his bonafide consumption. Section 4 (vii) of the Van Upaj Adhiniyam, 69.
- b. A grower has to get himself registered if his total annual production is likely to exceed 500 Kg. Section 6(6) of the Van Upaj Adhiniyam, 69
- c. A trader has to get himself registered if the trade exceeds 1 Kg. per annum and a consumer has to get himself registered if the use exceeds 5 Kg. per annum.
- d. A person who wishes to engage in retail sale of Sal seeds has to get a license from the DFO of the area. A retail sale licensee can sell up to a maximum of 5 Kg. of Sal seeds to an individual.

ORISSA

Tribals in the Sal zones of Orissa have traditionally used Sal oil as a cooking medium. But the traditional method of Sal fat extraction by boiling the ground seeds to release the fat is a very time taking and fuel consuming process. In the very subsistence kind of societies with abundant fuel wood supply and not much opportunities for wage labor and little external market interaction, Sal fat extraction in this manner was feasible. But with the availability of substitutes, the extraction and use of Sal fat in this manner is fast disappearing. Expellers are not suitable for Sal fat extraction on a profitable scale. But the installation of numerous solvent extraction plants in the state and the emergence of a strong demand for Sal fat as a cocoa butter substitute led boosted Sal seed trade in India. With the growing importance of Sal De Oiled cakes (DOC) in the international market the demand for the seed has strengthened further.

Keeping this in view the Government Nationalized the trade of Sal seed. But it has used its right not to enhance the income of the primary collectors nor the state Government but to pass on huge profits to private monopolists who have been accorded long term lease all over the state.

The trade in Orissa is governed by Orissa Forest Produce (Control of Trade) act, 1981. The section 2(c) of the act makes Sal seeds a specified forest produce thereby creating a state monopoly in the trade of Sal seeds. The produce is available in the district of Sambalpur, Keonjhar, Mayurbhanj, Sundargarh, Angul, Koraput and Rayagada. The total potential is estimated to be about 1.5 lakh MT out of which only 25 % or less is collected. (Ratho, 1995)

The procurement of seeds was handed over to the Orissa Forest Development Corporation and the Tribal Development Co-operative Corporation after the nationalisation of the trade in 1983. The Orissa Forest Development Corporation was appointed the sole agent in 1991. Now the companies which extract Sal oil, called solvent extraction plants (SEP), have been appointed as 'raw material procurers' for Orissa Forest Development corporation and Tribal Development Co-operative Corporation. The names of the industries, which have been appointed as raw material procurers, are as follows:

1. Orissa Oil Industries (Sasan and Rairangpur units)
2. Hanuman Vitamin Foods Limited, Bargarh
3. Utkal oils, Ambaguda
4. M/s, Priti Oil Limited, Sambalpur.

Except for M/s, Priti Oils Limited the rest of the units belong to a single entrepreneur Mr. Jagdish Lath.

At present the price of Sal seed has been fixed by the Government at 175 rupees per quintal and this price has been in force since the early 90s. Interestingly the price in a particular year was raised to Rs. 250 per qtl. The Utkal Forest Products Ltd. (UFPL) a joint sector company with controlling interest by the private partner has been given exclusive right to purchase Sal seed almost over the whole of

Orissa. But the lease for Bolangir has been with Prithi Oils a private sector company. Over the years both UFPL and Prithi oils have reported measly collection figures. For instance the average collection of Sal seed in Bolangir district was 215 MTs per annum in the period 1992-94 when OFDC was the collection agent. In the period 1995-97 when Prithi Oils Ltd. was the procurer the average collection was about 44 MTs per annum, about one fifth of the former figure. Even for these minuscule collections the lease holders are able to ensure a maximum village level collection price of only about Rs 1.25 per kg. This implies that after spending more than 5 days in collection and processing and carrying half a quintal of the seed to the collection agent yields only about 60 rupees. The daily income comes to roughly 10 rupees per kg. Even this is not assured as the collection of the seeds are low and erratic. Due to such low returns and uncertainty of marketability most people in the Sal regions of the two district have stopped collecting Sal seed.

At any rate the current price for the seed is not justified as the procurers sell at a higher rate to TRIFED. In fact the TRIFED annual report for 1995-96 mentions the irregularity involved in the purchase of Sal seed from Orissa oil Industries ltd. and Utkal Oil ltd. at Rs 3300 per MT while the sum total of expense incurred by them plus the commission of Rs 150 per MT comes to less than Rs 2300 per MT. The oil companies thus made a cool profit of Rs 1000 per M.T. from marketing support by TRIFED, the organization created to safeguard the economic interests of the tribals. If this additional 1000 rupees per M.T. could be paid to the primary collectors, they would have got a price of Rs 2.75 per kg.

Pricing policy

The collection charges are fixed on the advice of an advisory committee. The members of the committee are as follows:

- a. Two members from amongst the traders of the produce or manufacturer of the goods in which Sal seed is used as a raw material.
- b. Two members from the growers of the forest produce.
- c. One member shall be an M.P. from the state and shall be a scheduled tribe.
- d. One member shall be an M.L.A. and shall be a scheduled tribe.

The costs borne by the raw material producers are mentioned below.

- a. Minimum collection charges.
 - b. Transportation charges.
 - c. Hiring charges of godowns
 - d. Sal seed treatment charge
- Godowns remain under the charge of officials of OFDC & TDCC.
 - While the control of the godowns remains with OFDC & TDCC, the responsibility for the safety of the material remains with the raw material procurer.
 - The solvent extraction plants are not allowed to sell unprocessed Sal seeds outside the state or engage in branch sale and evade sales tax. Entire quantity of the produce has to be processed inside the state.
 - If any industry fails to collect the quantity of Sal seeds as per the contract with OFDC & TDCC, the industry will have to pay a penalty at the rate of Rs. 50 per m.t.
 - If the collection is greater than the quantity as agreed in the contract, the rate of royalty is reduced to Rs. 25 per tonne for the quantity collected in excess.

The rates for 1996 are as follows:

Minimum collection price	= @ Rs.1.75/ Kg. (Rs. 1750/MT)
Commission of OFDC or TDCC	= Rs. 150/MT
Royalty	= Rs. 100/MT
Operating charges	= Rs.210/ MT
Total	= Rs. 2210/MT

Registration requirements and other rules

- A bonafide user or consumer may transport at one time 5 Kg. of Sal seeds after obtaining necessary transport permits.
- Every grower has to get himself registered if the quantity grown by him is likely to exceed 5 Kg/Year.
- Every trader whose annual trade is in excess of 1 Kg. and a consumer whose annual use is in excess of 5 Kg. is required to get himself registered after paying the necessary fees.
- Any agent who delivers Sal seeds to a purchaser has to give him a certificate of sale and this certificate has to be produced when demanded by a forest or police officer.
- A retailer of Sal seeds has to get a license from the DFO if he wishes to engage himself in retail sale of the produce.

Table 3.1 Statistics related to Sal seed trade from the year 1990-1994:

	1990	1991	1992	1993	1994
Collection charges/ MT	1500	2000	2500	1750	1750
Quantity collected (MT)	3463	39897	30343	35162	23499
Total sale value (Lakh)	77.6	1640.25	681.5	731.3	621.7
Average selling price/ MT)	2400	4231	2335	2131	2728
Royalty (Rs. lakh)	11.32	420.5		100	
Share of the OFDC(Rs. lakh)		243.8	202	124	

Table 3.2: Share of primary collectors in the total revenue:

	1990	1991	1992	1993	1994
Average selling price/ MT(Rs.)	2400	4231	2335	2131	2721
Collection charges/ MT	1500	2000	2500	1750	1750
% Share of primary collectors	62	47	107	82	64

The collection price was hiked in 1992 to Rs. 2.50 per Kg. but the corporation could only sell the seeds at the rate of Rs.2335 per MT thereby sustaining losses in the process. The collection price was reduced to Rs. 1750 since 1993 and the same price has been continuing since then.

West Bengal

The collection of Sal seeds in West Bengal is done by LAMPS under the overall supervision of West Bengal Tribal Development Co-operative corporation. WBTDCC is the apex organisation and provides financial support to LAMPS for collection activities.

LAMPS hand over the collected seeds to WBTDCC. LAMPS have to pay minimum collection charges as fixed by the advisory committee of the government. The members of the advisory committee are as follows

- Chairman and MD of TDCC
- PCCF
- Representatives of traders and LAMPS.

WBTDCC sells the seeds to TRIFED.

The method of calculating the final price is given below.

- A) Collection charges
- B) Commission for bagging
- C) Transportation charges (borne by LAMPS)
- D) Godown rent
- E) Royalty - Rs. 100/ MT
- F) Damage charges @ 5%
- G) Interest = $.5 \times R/100 \times (\text{Collection Charge} + \text{Commission} + \text{Transportation Charge} + \text{Godown Rent} + \text{Royalty})$
- H) Overheads = 10% of the total direct cost
- I) Turnover tax = 9.5 % of the sale price
- J) Total indirect cost = G + H + I

Sale price = Total direct cost + Total indirect cost + Profit margin

Share of various agencies in the total revenue generated

TDCC - 4% interest on loan amount given to LAMPS

1% of total sale price as administrative expenses

LAMPS - Total sale value - share of TDCC

Bihar

The trade in Bihar is governed by Bihar Forest Produce (Regulation & Trade) act, 1984. The act created a monopoly of the state in the trade of specified forest produce and Sal seeds was included in the list of specified forest produce. The act was preceded by an ordinance in 1977, Bihar Forest Produce (Regulation & Trade) ordinance, which made Sal seeds a specified forest produce throughout the state of Bihar. The ordinance empowered the Bihar government to make rules for the regulation of Sal seed trade in Bihar. The Bihar Forest Development Corporation was made the sole agent of the government for purchase and sale of Sal seeds throughout the state with effect from May 1984.

Table 3.3: Collection and sale figures for the past five years:

	1992	1993	1994	1995	1996
Collection charges Rs./MT	1300	1500	1500	1500	1700-1750
Quantity collected (MT)	6100	4160	1200	5000	1000
Quantity sold (MT)	1400	1000	1200	5000	1000
Total sale value (Lakh)	47.6	23.2	27.6	117.5	18
Average selling price/ MT	3400	2321	2300	2350	1800

Table 3.4: Share of primary collectors in the total revenue generated:

	1992	1993	1994	1995	1996
Average selling price/ MT(Rs.)	3400	2321	2300	2350	1800
Collection charges/ MT	1300	1500	1500	1500	1700-1750
% Share of primary collectors	38	64	65	64	94

The corporation sells only a small portion of the total collection to TRIFED. The unsold amount is sent to Bihar Solvent and Chemicals limited, Latehar for extraction of Sal oil. The company is under the management of Forest Development Corporation.

The advisory committee had hiked the collection price in 1996, but due to depressed market conditions the corporation could only get a final sale price of Rs. 1800 per MT. So the corporation decided to pay Rs. 1700-1750 per MT to primary collectors.

The Forest Development Corporation does not pay any royalty to the state government. All the profits are directly deposited in the state treasury.

Chapter 4

Mahua Flowers and Seeds

Scientific Name: *Madhuca indica*, *Madhuca longifolia*

It is a medium sized deciduous tree usually with a short bole and rounded crown. There are two varieties found in India,

1. *Madhuca indica* is found in mixed deciduous forests. It is common in Maharashtra, Gujarat, Andhra Pradesh and dry Sal areas of Madhya Pradesh.
2. *Madhuca longifolia* synonymous with *Bassia longifolia* is found in south India. It is common in monsoon forests of Western Ghats from the Konkan southwards usually along the banks of rivers and streams.
3. *Madhuca butrasea* is found in Kumaon hills locally known as ' Chuna' .

Habitat requirements

The tree withstands water logging and can come up in clayey soils. It is a strong light demander. It coppices well when cut in dry season. The temperature range is between 5 to 45 degrees centigrade. The tree needs an annual rainfall between 75 to 175 cm.

Phenological characteristics

The leaf fall takes place between February and April and new leaves come in early may. The flower buds appear at the end of February and flowers open till April. The fleshy corollas fall after opening. The fruit ripens from between June and August and falls to the ground. Trees in northern plains start flowering when they are 10 years old while those in central India take around 20 years for the same. Every three-years there is a good crop.

Mahua flowers

Forest Research Institute, Dehradun, estimates the total collection of Mahua flowers in the country to around 25000 tonnes per year. The yield of Mahua flowers per tree varies between 5 to 200 Kg. per year depending on the age of the tree. The following table shows the average production at different ages.

Age in Years	10	20	30	40	50	60
Quantity (Kg per tree per year)	10	30	60	90	135	140

Mahua flowers are rich in sugars, vitamins and Calcium with sugars forming around 73 % of the total weight.

Uses

- Eaten raw or cooked
- Eaten after frying or baking into cakes
- Collectors sell surplus Mahua flower in the weekly market. The portion of collection retained by them is consumed during the early part of the rainy season.
- During winter people barter other produce to buy Mahua flowers from local traders to whom they had sold their surplus in the collection season.

The chief commercial use of Mahua flowers is in the preparation of distilled liquor. Mahua flowers are fermented and the fermented liquid is then distilled. The liquor has a strong and fetid odour that disappears on ageing. The alcoholic content is around 20% (v/v).

- The flowers are also used for the preparation of vinegar.

- Corollas are also used for preparation of a type of syrup. This syrup is a good substitute for honey and suitable for use in jams.
- Dried flowers and flowers which are left after fermentation are used as livestock feed.

Mahua seed

Mahua seed starts falling from may and seed fall continues till the second week of July.

Uses

- Mahua seed is utilised for oil extraction. Mahua oil has applications in soaps (laundry chips). It is also used as edible oil, as an illuminant and also as hair oil.
- It is also used as an adulterant for 'Ghee', for which purpose butter milk is added to Mahua oil to mask its bitter odour.
- Refined Mahua oil is also used for manufacture of lubricating greases and fatty alcohols.
- Mahua oil is also used in candle making process, as a bathing oil in Jute industry
- As a raw material for production of stearic acid.

The oil extraction takes place in local ' Ghana' , expellers or in solvent extraction plants.

The oil yield for three different processes is as follows

Ghana	20 - 30 %
Expellers	34 - 37 %
Solvent Extraction Plants	40 - 48 %

Marketing of Mahua oil

The kernels, which are not used in local 'Ghana', reach city markets after passing through several intermediaries. The important market for Mahua seeds in different states are shown in the following table.

Uttar Pradesh	Mauranipur, Lalitpur, Mahoba, Bharwahi, Allahabad.
Madhya Pradesh	Alirajpur, Shajapur, Ujjain, Basoda, Kannod, Betulganj, Raipur, Bhopal, Itarsi.
Maharashtra	Chanda, Nandurbar, Nasik.
Gujarat	Godhra
Andhra Pradesh	Rajahmundry, Visakhapatnam, Bobbili, Parvatipuram
Karnataka	Tomkur

The major transactions between merchants and millers take place in Bombay, Calcutta and Kanpur.

Mahua cake

Mahua Oilseed cake is neither fit as a cattle feed and nor as a manure due to the presence of saponin (4-6%). Hindustan Liver Research Centre, Bombay, has developed a simple process of detoxification of saponins, which enables the utilisation of Mahua cake as a cattlefeed.

Existing laws pertaining to the trade of Mahua flowers and Mahua seeds

Madhya Pradesh

The trade of minor forest products in Madhya Pradesh is governed by Madhya Pradesh Van Upaj (Vyapar Vinayaman) Adhiniyam, 1969 and the rules made under the act. The act made Mahua flower and seed specified forest produce thereby giving the government powers to regulate the trade in public interest. But these two products were taken off the specified list by a subsequent government notification in 1972. The controversy regarding the status of Mahua flowers was put to rest by a high court judgement in 1980, which declared invalid an auction sale of Mahua flowers by the state government (Dulichand Agrawal Vs. state of M.P. and others, 1980). One more case pertaining to the payment of royalty by a purchaser, who had purchased Mahua flowers in the open market, was adjudged by the High Court. The judgement validated the petitioners' contention that the Mahua flower sold in the open market did not belong to the government and the petitioner could not be made liable to the payment of royalty. (Mohanlal Bhagwati Prasad Vs. state of M.P., 1980)

There are various restrictions on transport, production and retail sale of Mahua flowers and seeds. Any person can transport individually the specified forest produce up to the quantity mentioned in the following table at a time from the place of purchase of such produce to the place where such produce is required for his bonafide use or consumption.

Produce	Quantity (Kg.)
Mahua flowers	5 Kg. within municipality limit & 75 Kg. outside municipality limit
Mahua seeds	50 Kg.

Every grower has to get himself registered if his annual production is likely to exceed the quantity given below

Produce	Quantity
Mahua flowers	2 quintals
Mahua seeds	1 quintal

Every manufacturer who uses these two products as raw material or every trader and consumer whose annual use exceeds the quantity given below has to get himself registered.

Produce	Quantity	
	Trader	Consumer
Mahua flowers	1 quintal	20 quintals
Mahua seeds	1 Kg.	

A license has to be obtained from the DFO for the retail sale of these products. The annual license fee is based on the quantity of the produce being traded in the year. The act also places restrictions on the purchase of these products at the retail outlets. The quantitative restrictions are as follows:

Produce	Quantity
Mahua flowers	5 Kg. within city limits and 75 Kg. outside city limits
Mahua seeds	5 Kg.

The MFPCF estimates a production level of 75000 quintals of Mahua flowers and 20000 quintals of Mahua seeds.

Price spread analysis of Mahua flowers and seeds

Price spread analysis of Mahua flowers		
	Minimum rate (Rs./Kg.)	Maximum rate (Rs./Kg.)
No. of levels – 2		
Level 1 (Village)	2.5	5.0
Level 2 (Nearby town)	5.0	6.0
No. of levels – 3		
Level 1 (village)	2.5	5.0
Level 2 (District town)	6	8.5
Level 3 (Metros)	12	14

The analysis reveals that the primary collector is getting only between 20 to 50 % of the price the final consumer is paying. If the price of the processed product is taken into account then the percentage share of the primary collector in the overall consumer price will be much lower.

Price spread analysis of Mahua seed		
	Minimum rate (Rs./Kg.)	Maximum rate (Rs./Kg.)
No. of levels – 2		
Level 1 (Village)	5	7
Level 2 (Nearby town)	8	9

The analysis reveals that the primary collector is getting around the 60 % of the price paid by the trader in the nearby town. Agents absorb the rest of the money.

Andhra Pradesh

Girijan Co-operative Corporation Limited handles the trade of Mahua flowers and seeds. The company has been given exclusive rights for purchase and sale of the two products under the Andhra Pradesh Scheduled Areas Minor Forest Produce (Regulation of Trade) Regulation, 1979.

The produce is purchased by the agents or supervisors of the corporation at the purchase centres established for the purpose. The stock of Mahua flower is disposed off at the Divisional Manager level while that of Mahua seed is done by the head office. The stocks are disposed through forward sale basis. The net purchase price is arrived at by deducting overheads and moisture loss.

The collection and sale prices and the share of primary collectors in the total revenue generated for these two products for the period 1989-90 to 1992-93 is shown in the following table:

Commodity	1989-90		1990-91		1991-92		1992-93	
	P.P.	S.P.	P.P.	S.P.	P.P.	S.P.	P.P.	S.P.
Mahua flower	169	255	189	196	196	230		286
Mahua seed	502	769	600	1030	700	1030	700	935

P.P.: Purchase price, S.P.: Selling price

The % share of primary collectors in the total revenue generated is shown in the following table.

Commodity	1989-90	1990-91	1991-92	1992-93
Mahua flower	66 %	96 %	85 %	
Mahua seed	65 %	58 %	67 %	75 %

Bihar

The trade in Mahua seeds was brought under the control of the state government by an ordinance in 1978. (Bihar Forest Produce (Regulation of Trade) Fourth Ordinance, 1977. The responsibility for collection and marketing of the produce was entrusted Bihar Forest Development Corporation Limited by making it the sole agent of the government. Mahua flowers was added to the list of specified forest produce in the Bihar Forest Produce (Regulation of Trade) act, 1984. But the government has allowed the trade to be in the hands of private traders by not making any agency an exclusive agent for the purchase of Mahua flowers.

The trade in Mahua flowers is in the hands of Rajasthani businessmen who operate from the main trading centre at Ranchi. The forest Development Corporation is handling the trade of Mahua seeds for the past twenty years. The collection figures and the rates paid to the primary collectors are shown in the following table.

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Qty	1846	470	110	714	2153	907	33	16	47	20
C.P.	2.25	2.25	2.25	2.75	3.00	3.50	3.50	3.25	3.25	5.75

Qty: Quantity in quintals; C.P.: Collection Price Rs./Kg.

The production of Mahua seed in 1997 is estimated to be around 500 MT.

Orissa

The trade of Mahua seeds and Mahua flowers in Orissa is controlled by The Orissa Forest Produce (Control of Trade) act, 1981. This act empowers the state government to declare any forest produce as specified forest produce thereby creating a state monopoly in the trade of the produce.

The rules regarding the trade in Mahua flowers are mentioned in the Orissa Excise Mahua flower rules, 1976. These rules are framed under the Bihar and Orissa Excise act, 1915. The right to collection is granted to any person. On the other hand storage, transport, import, export and sale are subjected to quantitative restriction and registration requirements. Any agency desirous of storing or possessing Mahua flowers for a period not exceeding a year and in quantity exceeding the limit of retail sale has to take permission from the district collector for the same. The permission of district collector is also required for transport, import and export of Mahua flowers.

The government of Orissa granted The Tribal Development Co-operative Corporation an exclusive right to collect Mahua flowers in 1989. The revised order of March 91, granted leases to TDCC & OFDC for 11 and 16 forest divisions respectively. The trade was nationalised in 1991 and TDCC & OFDC were appointed as collection agents for the purchase and sale of Mahua flower. The purchase price was fixed at Rs. 3 per kg. The total cost including the overheads amounted to Rs. 5 per Kg. The traders of Orissa also purchased Mahua flowers from South Bihar at Rs. 1 per Kg. and made a killing by selling to OFDC & TDCC. These agencies were unable to off-load the stock at a higher rate thus sustaining losses in the process. The government de-specified the produce in 1992 and the trade in Mahua flowers reverted to the previous arrangement.

The Utkal Forest Product Limited has got exclusive rights for the collection of Mahua seeds throughout the state. The exclusive right was given to the company by the government from the 1992-93 season. Earlier, till 1989, the Tribal Development Co-operative Corporation was handling the produce. TDCC & UFPL both procured the produce in 1990 and 1991.

The total collection of Mahua seeds in the state is given in the following table:

	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95
Quantity in Qtls	32960	42139	33938	27527	36538	7134	11314	12197	54127	6121

The procurement rate of Mahua seeds in the state is given in the following table:

	85-86	86-87	87-88	88-89	89-90	90-91	91-92
Rs./Qtl	316	356	639	470	469	479	300

Mahua flower collected in Orissa from 1985-86 to 1994-95 is as follows (Quantity in quintals):

	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95
Qty	32960	42139	33938	27527	36538	7134	11314	12197	54127	6121

The government fixed a minimum procurement price of Rs. 500 per quintal for 1990 and 1991 procurement seasons and Rs. 250 per quintal for 1992 procurement season.

A 1995 study (Ratho, Bijoy) reveals that a solvent extraction industry makes profit to the tune of Rs. 2807 per MT of Mahua seeds processed. The cost analysis of the process as given in his study is discussed below.

Procurement price paid to the primary collector = Rs. 4500 per MT

Procurement price for UFPL = Rs. 5500 per MT

Cost of procurement including moisture loss = Rs.1667 per MT.

Total cost incurred = Rs. 7167 per MT

Processing cost = Rs. 1250 per MT

Cost of the processed material = Rs. 8417 per MT

Yield: 1 MT of seeds yields 400 Kg. of oil and 560 Kg. of de-oiled cake.

Rate of Mahua oil = Rs. 24000 per MT

Rate of de-oiled cake = Rs. 2900 per MT

Total revenue generated = Rs. (24000 * .4 + 2900 * .56) = Rs. 11224

Profit of the company = Rs. 2807 per MT

So a primary collector is only getting Rs.4.50 per Kg for the produce while the company is getting a net profit of Rs. 28 per Kg of the product.

Chapter 5

Overview of NTFP Trade in Madhya Pradesh

The trade of minor forest products in Madhya Pradesh is governed by Madhya Pradesh Van Upaj (Vyapar Viniyaman) Adhiniyam, 1969 and the rules made under the act. The rules place several restrictions on the growth transport and retail sale of specified products. The producers, traders and consumers of the specified products have to take necessary permits and have to get themselves registered if their production, trade and use exceed a predetermined quantity. For the collection of the produce the government has divided the state into units and appoints agents to co-ordinate the collection activities in these units.

Various restrictions on trade under the M.P. Van Upaj rules.

Kulu gum	100 grams.
Dhawda gum, Babool gum, Khair gum and Salai resin	1 Kg.
Harra	5 Kg
Kacharia	1 Kg
Sal seed	50 Kg.

Any person can transport individually the specified forest produce up to the quantity mentioned in the following table at a time from the place of purchase of such produce to the place where such produce is required for his bonafide use or consumption. The aim of the rule is to facilitate tribals who require such produce for their bonafide use and restrict illegal trade in such products. A trader or purchaser who specified forest produce from the government or its appointed agent has to get transport permit from the DFO and transport has to be restricted to the specified route and permitted during day time only. Every grower of the specified forest produce has to get himself registered (other than the state government), if the quantity of the produce grown by him is likely to exceed quantity given in the table below.

Kulu gum, Dhawda gum, Babool gum, Khair gum and Cheed gum	1 Kg.
Harra	2 quintals
Kaccharia	500 kg.
Sal seed	500 Kg.

Every manufacturer who uses any specified forest produce as a raw material and every trader and consumer whose annual use, requirement or consumption as the case may be exceeds the quantity given below has to get a registration for each specified forest produce. The quantities for each specified forest produce is given in the following table:

	Trader	Consumer
Kulu gum	1 Kg.	1 Kg.
Dhawda gum, Cheed gum, Khair gum and Babool gum	1 Kg.	5 Kg.
Harra & Kachharia	1 Kg.	5 Kg.
Sal seeds	1 Kg.	5 Kg.

The government officer who sells or delivers the specified forest produce to a purchaser has to give the purchaser a certificate of sale and the certificate has to be provided if demanded by a police or forest officer. Any person who desires to engage himself in the retail sale of specified forest produce has to get a license from the DFO of the area for the same. The licensee shall sell the specified forest produce to individual persons up to the quantity given below.

Kulu gum	100 grams.
Dhawda gum, Khair gum, Babool gum and Cheed gum	1 Kg.
Harra & Kacharia	5 Kg.
Sal seed	5 Kg.

The government established Madhya Pradesh Minor Forest Produce (Trade & Development) Co-operative Federation in 1984 to trade in selected Minor Forest Produce. The agency has got a monopoly for the purchase and sale of nationalised minor forest produce viz. Kendu leaves, Sal seeds, Gums (Dhawda, Khair, Babool and Cheed), Kacharia, and Harra. Besides these products the MFPCF also procures products like Mahua flowers, Chironjee kernel and Chironjee seeds. Other traders can also procure these products. The purchase prices paid by the MFPCF for the year 1996 are as follows:

Tendu leaves	30 Paise/ 50 leaves
Harra	Rs. 1.30 per Kg.
Mahua flowers	Rs. 4 per Kg.
Chironjee kernel	Rs. 140 per Kg.
Chironjee seeds	Rs. 22 per Kg.

The major non-nationalised NTFP of Madhya Pradesh are:

1. Mahua flower and seeds
2. Chironjee
3. Aonla

Chironjee

Chironjee is the kernel of the seed of the tree *Buchanania lanjan*. The fruit is known as Achar and the seed as Gutly in the local parlance. When the kernel is extracted from seed (Gutly) Chironjee is produced. 100 Kg. of Gutly yields about 20 Kg. of Chironjee. Local level chakkis are used for the process of extraction. The local traders buy Chironjee from villagers and sell in major towns. The traders prefer those Chironjee which are larger and clean. They use a sieve to measure the quality of Chironjee.

Chironjee is utilised in varnish and cosmetic industry. The estimated production in M.P. is about 15000 Quintals per annum. The following deals with the price-spread analysis of Chironjee.

Chironjee kernel Price at different levels when there are 2 (two) levels:

	Minimum rate (Rs./ Kg)	Maximum rate (Rs./Kg.)
Level 1 (Village)	125	150
Level 2 (Nearby Town)	150	180

Chironjee kernel Price at different levels when there are 3 (three) levels:

No. of levels – 3		
Level 1 (Village)	120	200
Level 2 (District town)	150	350
Level 3 (Metros)	200	350

Chironjee seed Price at different levels when there are 2 (two) levels:

	Minimum rate (Rs./Kg.)	Maximum rate (Rs./Kg.)
Level 1 (Village)	25	50
Level 2 (Village)	30	60

100 Kg. of Chironjee seed yield around 20 Kg. of kernel. So 5 Kg. of Chironjee seed will yield around a kg of kernel. So taking the minimum price of Rs. 25 per Kg. the cost of Chironjee seeds required for producing a Kg. of Chironjee kernel is Rs. 125. The price of Chironjee kernel varies between Rs. 150/Kg. to Rs. 200/Kg. in nearby towns and Rs.200/Kg. to Rs. 350/Kg. in bigger cities. So even if we take a minimum price of Rs. 150/Kg. and assuming that the primary collector has a direct access to the market of the nearby towns, he can make an incremental profit of Rs. 25 on a collection of 5 Kg. of Chironjee seeds. So if household is able to collect around 20 Kg. of Chironjee seeds it can earn anything between Rs. 600-1000 per season. But this rarely happens because traders buy Chironjee seeds rather than Chironjee kernel from primary collectors and prefer to extract the kernels themselves. This prevents the primary collectors from gaining a larger share of final consumer price.

If the higher average price is taken into consideration (Rs.200 -Rs.350/ Kg. of Chironjee kernel) the profit margins increases significantly. Taking an average price of Rs. 250/Kg. and the total production to be about 15000 quintals of Chironjee seed (equivalent to 3000 quintals of Chironjee kernel, the total revenue generated is to the tune of 7.5 crores per annum. The tribals get around 3.75 Crores (50% of the final consumer price).

Aonla

It is the fruit of the tree *Emblica officianalis*. Its major uses are in the preparation of jams and jellies. It has a very high Vitamin C content so it is used in health medicines also. It is also used in hair oils. Fruits come in between January and February. The estimated annual production of Aonla in M.P. is 20000 quintals.

Price spread analysis of Aonla with 3 (three) levels

	Minimum rate (Rs./Kg.)	Maximum rate (Rs./Kg.)
Level 1 (village)	2.5	5
Level 2 (Nearby town)	5	8
Level 3 (Bigger cities)	9	11

If we look at the above table and take average prices for consideration, Level 1- Rs. 3.75/ Kg. and Level 3 - Rs. 10/ Kg., it becomes clear that the primary collector gets only 37.5% of the consumer pays for the product in bigger cities. The middle channels of trade absorb rest of the money.

Chapter 6

Overview of NTFP Trade in Andhra Pradesh

The Girijan Co-operative corporation Limited (GCC), Visakhapatnam was established in 1956, for the collection of Non Timber Forest Products, which are listed in the section 2 (e) of Andhra Pradesh, Scheduled Areas, Minor Forest Produce (Regulation of Trade) rules, 1990, in the state. GCC is given monopoly rights under the provisions of Andhra Pradesh Minor Forest Produce (Regulation of Trade) act, 1971. The appointment of corporation is on an annual lease basis.

The rules forbid any agency or person other than the corporation to sell, purchase, store, transport or process any minor forest produce to which this regulation applies. As per the Andhra Pradesh Forest act of 1967, And Andhra Pradesh Scheduled Areas (Regulation of Trade) regulation 1979, the officers of the corporation are empowered to stop, detain and examine at any place any vehicle and seize stocks which are not covered by valid transport permits.

The objectives of the corporation are:

- a. Procurement of Non-Timber Forest Produce and Agricultural Produce from the tribals and marketing of the same to the best advantage of tribals.
- b. Supply of essential and other items to the tribals at fair and reasonable prices.
- c. Provision of credit to the tribals for the seasonal agricultural operations, medium and long term investments and consumption loans.

The corporation is also an apex co-operative for 43 Girijan Primary Co-operative Societies and also works in co-ordination with 9 Integrated Tribal Development Agencies (ITDA) of the state.

System of operation of G.C.C.

The company operates through 2 regional offices, 12 divisional offices, 45 branch offices and 817 daily requirement depots. Girijan Co-operative Corporation gets lease of Minor Forest Product units and the DFOs hand over the units to the officers of the G.C.C. as per the grant of lease. The branch managers take possession of the leased units on 1st of July every year and hand them back to the respective DFOs on 30th of June in the next year.

The units taken on lease are thrown open to the tribals for the collection of the produce. The company opens purchase centres and some of the existing daily requirement depots also double as purchase centres during the collection period. In the case of a few products and in areas, which are highly remote, even door to door purchases are made. Credit-cum-purchase assistants of the corporation handle the purchase operations at purchase centres. Immediate cash payment is made to the sellers for the produce purchased.

Pricing Policy

The corporation follows two different selling mechanisms for the various commodities.

The forward sale route is taken for commodities in whichever cases its possible and rests of the commodities are sold after the procurement.

- a. Policy for products covered under the forward sale basis

The following products are covered under this mechanism,

1. Myrobalans
2. Nuxvomica
3. Mahua Flower
4. Mahua seed
5. Tamarind seed
6. Adda leaf (Bahunia vahili)

The net purchase price is arrived at by deducting overhead costs and drying loss margin.

b. Policy for products sold after procurement

During the initial years of the corporation, it deducted the following costs from the price in the nearest wholesale market and the value arrived at was paid to the tribals.

Establishment charges	9.3 %
Forest rentals	18 %
Transport charges	4.8 %
Trade charges	2.4 %
Interest on working capital	1.6 %
Depreciation	.6 %
Market fluctuation charges	5.0 %
Total deduction	41.1 %
Resultant procurement price	58.9 % of the market price existing in the nearby wholesale market

The government decided to change the above system in 1970 and reduced the overhead deduction to 15 % and an additional deduction of 6% due to moisture loss.

Overheads	15 %
Moisture loss	6 %
Total	21 %
Resultant procurement price	79 % of the market price existing in the nearby wholesale market

The products covered under this scheme are

1. Seeded and de-seeded
2. Soap nuts
3. Hill brooms
4. Shikakai
5. Pungum seed
6. Marking nuts

In some of the products in some years the corporation does not make the normal deductions of 21 % and pays the entire sale price to primary collectors. This type of pricing system was followed for tamarind in 1991 and 1992 and Nuxvomica during 1990 and 1991.

The corporation tries to give a wide publicity to the purchase prices so that tribals are aware of the prices fixed well in advance and chances of their exploitation by purchase agents and other officials is reduced. Radio programmes pamphlets and loudspeakers are utilised for announcing purchase prices. Periodical tribal meets and awareness camps are also utilised for the same. Surprise checks by senior officers are also conducted at purchase centres to ensure that correct payments are made to the tribals.

The corporation earlier followed a policy of purchasing only those products for which it was assured of a market. So the tribals were left at the mercy of private traders, who used to pay low rates for the

produce. This policy has been changed and now the corporation is buying the entire range of minor forest products, which are under its monopoly.

To ensure faster disposal of stocks, the disposal system has been decentralised and divisional managers have been entrusted for the sale of stock under their charge. The following items are being discharged at the local level.

1. Tamarind
2. Adda leaf
3. Hill brooms
4. Wild brooms
5. Pungum seed
6. Soap nut
7. Shikakai
8. Mahua flower
9. Marking nuts

The corporation's head office at Visakhapatnam looks after the disposal of products, which have national and international demand. The products are,

1. Gum Karaya
2. Gum Tiruman
3. Gum Olibanum
4. Gum Dikamali
5. Mahua seed
6. Myrobalans
7. Nuxvomica
8. Cleaning nuts
9. Honey
10. Bees wax
11. Tamarind seed
12. Teripods

The corporation has also opened retail outlets at in some of the cities in Andhra Pradesh. This has helped in removing intermediate trade channels and the corporation is able get a larger share of the end consumer price. Value added products fetch better prices. The corporation has started the following plants for adding value to the NTFP.

1. Honey processing plant at Rajahmundry and Araku. Modernization of an old unit at Narsipatnam.
2. Shikakai and soap nut processing unit at Rajahmundry, soap making unit at Vizianagram and a soap base unit at Nirmal.
3. Tamarind and hill brooms processing units in Srikakulam, Vizianagram and Visakhapatnam districts.
4. Bee keeping industry has been extended to all the tribal areas of the state.

Some of the innovative schemes of G.C.C.:

1. The corporation has issued photo identity cards called ' GIRI CARDS' to the tribal gum pickers of the state. The details of the produce collected and sold by the tribals are recorded in these books which are used as a basis for distribution of profits and for providing consumption credits.
2. An enumeration of all the tribals engaged in the collection of Minor Forest Produce has been taken up. The data regarding the amount of produce collected by an individual and the money paid to him for the produce is being recorded.
3. If the corporation ends with an adequate surplus it distributes a part of it as bonus payment to the primary collectors from whom the purchase was made.

4. The corporation has appointed community co-ordinators to work in tribal areas with each community co-ordinator looking after a community co-ordination team. Each community co-ordination team comprising a community co-ordinator, paramedical staff and community organisers work with a group of around 3000 families each. The main objective is to provide technical and managerial inputs for tribal activities so that tribals are able to develop a self reliant attitude. A community co-ordination team will form a tribal organisation after the tribal organisation attains the necessary competence to handle its activities the community co-ordination team will be merged with it. The corporation in the long run wants to establish a state level organisation called community co-ordination network (CCN), which will act as an apex organisation for recruitment and training of community co-ordinators and also to monitor the performance of community co-ordination teams.

Chapter 7

Overview of NTFP Trade in West Bengal

The tribals of the state have been given the rights to collect the non-timber forest products for their consumption or sale. The tribals have formed LAMPS, which procure Non Timber Forest Products from the tribals. The LAMPS have to sell some of the products to WBTDCC and rest they are free to sell in the open market. West Bengal Tribal Development Co-operative Corporation procures Kendu leaves and Sal seeds from the LAMPS. WBTDCC is an apex organisation for the LAMPS and provides credit support to them for purchase activities and administrative functions. The stated objectives of the organisation are,

1. To undertake proper utilisation of forest products and resources.
2. To bring about a qualitative and quantitative improvement in forest resources.
3. To eliminate middlemen from the trade of Minor Forest Products so that maximum benefit can accrue to tribals or rural poor communities engaged in the collection of the produce.

The organisation was established in 1976, under the west Bengal Co-operative Societies Act 1973. The organisation is headed by a Managing Director (MD). Five assistant directors, four Regional Managers and two branch officers assist the MD. The organisation has a flat hierarchy and all these people report directly to the Managing Director. The main function of WBTDCC is to help the organisation of LAMPS under Integrated Tribal Development Programme Areas and to finance the LAMPS for their various activities. There are at present around 115 LAMPS operating in the state.

System of NTFP trade in West Bengal

The LAMPS notify the state forest department of the areas required by them and the DFO after ascertaining their requests has over the areas to them. After taking charge of their respective areas LAMPS throw open these areas to tribals for collection. LAMPS are paid by the forest department and are also given Non Timber Forest Products in exchange of labour provided by them. The payment, if any, is made to TDCC on behalf of LAMPS. TDCC after deducting the overhead charges and interest disburses the money to LAMPS. The following deductions are made,

1. 4 % of the total loan advanced as the interest charges.
2. 1 % of the total sale value as administrative expenses.

The collection prices for different items are fixed on the advice of a technical committee constituted by the government. The members of the committee are,

1. Chairman of WBTDCC
2. All the directors including the Managing Director of TDCC.
3. Principal Chief Conservator of Forests of the state.
4. Representatives from the department of finance.
5. Representatives from the tribal welfare department.

The LAMPS hand over Kendu leaves and Sal seeds to TDCC, which has the responsibility to market, them and rest of the products, are sold in the local market.

The major items handled by different LAMP societies are,

1. Kendu Leaves
2. Sal seeds
3. Sal leaves
4. Seeds of Mahua, Karanj, Kusum and Neem.
5. Mahua flowers
6. Sabai grass
7. Bahera

The method of calculating the final price is given below.

- a. Collection charges
- b. Commission for bagging
- c. Transportation charges (borne by LAMPS)
- d. Godown rent
- e. Royalty
- f. Damage charges @ 5%
- g. Overheads = 10% of the total direct cost
- h. Turnover tax = 9.5 % of the sale price if the sales are below Rs. 50 lakhs.
- j. Total indirect cost = g + h + i

Sale price = Total direct cost + Total indirect cost + Profit margin

Some of the other schemes of WBTDCC and LAMP societies

1. The central co-operative banks provide short-term credit loan to the members of LAMPS for undertaking agricultural operations.
2. This loan is provided to LAMPS for disbursement to tribal members for their personal expenses.
3. Members of the LAMPS are also provided with a loan having a 50% subsidy component for their self-employment.
4. Essential clothing items and daily use requirements are also supplied to the LAMPS by WBTDCC for sale to the members at subsidised rates.
5. Some small-scale industries have been jointly started by WBTDCC & LAMPS with WBTDCC bearing a major portion of the cost of the enterprises. The industries relate to,
 1. Stone crushing
 2. Oil extraction
 3. Plantations of Sabai grass, tea and sisal.
 4. Poultry feed production.
 5. WBTDCC has also provided money to the LAMPS for the establishment of Mahila Samitis, which are engaged in basket making, Sal plate making and tailoring works.

Chapter 8

Overview of NTFP Trade in Bihar

The trade of Minor Forest Products in Bihar is controlled by Bihar Forest Produce (Regulation & Trade) act, 1984. The act empowers the state government to regulate the trade of Minor Forest Produce in the state by creation of a state monopoly in specified forest produce. (Section 2(4) of the act). The act also empowers the state government to issue notices under clauses (3) and (4) of the section 1 of the act for restricting the purchase, transport, import, export and retail sale of the specified forest produce to only authorised agencies.

The government divides the specified areas into units for different specified forest products and appoints agents on its behalf for the collection of specified forest produce. One agent may be appointed for more than one unit.

Different restrictions on purchase, transport, import, export and retail sale.

No other agency can purchase and transport specified forest produce except the government or its authorised agent.

Exceptions

- a. Any purchase from the agent of the state government is not in the contravention of the act.
- b. A primary collector may transport specified forest produce within a unit.
- c. A person may also transport Minor Forest Products from the place of purchase to the place of use for his bonafide consumption. (There are quantitative limits for the purpose).

Every manufacturer who uses a specified forest product as a raw material and every trader of the specified forest produce has to get himself registered if his annual use exceeds a predetermined quantity.

No person or agency is allowed to engage in retail sale of specified forest produce except under a license from the government.

The government is required to constitute an advisory committee under the act for each calendar year (Beginning January 1 and ending on December 31). The purpose is to advise the government on fixing the collection charges Minor Forest Products purchased from a primary collector. The committee comprises:

1. One member from the traders of the specified forest produce or manufacturers of goods in which the specified forest produce is used as raw material produce is used as raw material.
2. One member from the primary collectors of the specified forest produce.
3. Three members will be from the legislative assembly of the state, one member from the legislative council, and one from parliament with two of them hailing from the scheduled castes and scheduled tribes respectively and all belonging to the forest areas.
4. Two government officers nominated by the government.
5. Two members, one each from the Munda and Manki communities of the state and ' Pramukh' of the Chhotanagpur and Santhal Paragana areas.
6. Forest Minister of the state

The forest minister is the ex-officio president of the committee with vice president being the primary collector who is the member of the committee.

The state government had passed an ordinance in 1977, nationalising the trade in oilseeds of tree origin and had assigned the job of collection and marketing to Bihar Forest Development Corporation.

The fruits and seeds of Mahua, Kusum and Karanj were added to the list of specified forest produce in 1978 with The Bihar Forest Development Corporation being made the sole agent. The fruits and seeds of Aonla, Harra, Bahera and Palas were added to the list in 1980 with Bihar Forest Development Corporation being entrusted with the responsibility of collection and marketing for the entire state of Bihar. After the passage of the Bihar Forest Produce (Regulation of Trade) act, 1984, The Bihar Forest Development Corporation was made the sole agent for a few more species. The list of species being handled by the corporation is as follows:

1. Seeds of Sal, Mahua, Kusum, Karanj and Palas.
2. Aonla fruit and seed
3. Nuts of Harra and Bahera
4. Mahulan leaf and chope
5. Kendu leaf
6. Jongi Harra

Out of the above mentioned produce the emphasis of the corporations on Kendu leaves, Sal seeds and Mahua seeds because of their higher revenue generation potential.

The State Tribal Development Corporation has been made the sole agent for the purchase of Tassar cocoons from the tribals. This is a major source of earning for the tribals of South Bihar. The procurement is done either by appointing agents or through LAMPS.

A list of the minor forest produce which has been specified in the Bihar Forest Produce (Regulation of Trade) act, 1984 is given below,

a. Fruits and seeds of

1. Sal
2. Kusum
3. Mahua
4. Karanj
5. Palas
6. Maula
7. Kamla
8. Chironjee
9. Harra
10. Bahera
11. Aonla
12. Eacharia

b. Flowers of Mahua

c. Gums of

1. Karaya
2. Katila
3. Dhawda

d. Resins of

1. Sal
2. Salai

e. Sabai grass

f. Lac

g. Tassar cocoon

h. Medicinal plants

1. Rauwolfia tetraphylla
2. Costous specious
3. Oroxylum indicum
4. Andrographis paniculata

i. Sisal

j. Leaves of

1. Mahua
2. Sal

k. Bamboo

1. Dendrocalamus species
2. Bambusa species

l. Khair

Chapter 9

OVERVIEW OF NTFP POLICIES IN ORISSA

The Policy environment relating to NTFP trade is characterised by the following underlying tenets:

- Forests are State Property thus all products growing on forests are owned by the State.
- Revenue maximization for the State is the major objective of Forest Management.

The laws relating to forest administration do not recognize any rights of forest dependent communities on collection, processing and sale of NTFPs, except as some customary rights, if any, of local tribals to gather and collect forest produce, for bona fide consumption. Revenue maximization objective of the State over-rides the economic interest of the poor gatherers who only figure as under-paid labor in the entire NTFP trade. The potential of NTFPs to give economic returns to the poor of the State remains grossly under-utilized. These basic tenets guiding the NTFP policies have not changed even after a decade of the National Forest Policy that emphasizes on tribals and local needs having the first charge over forests.

While many Poverty Alleviation programmes seek to raise the economic levels of vast masses below Poverty line; the *one* intervention that can directly dramatically impact the income levels of poor has been perennially neglected. The major characteristics of the Policy environment relating to NTFP is:

9.1 NATIONALIZATION OF IMPORTANT NTFPS:

The Orissa Forest Produce (Control of Trade) Act, 1981 provides the scope for State Monopoly over certain forest products that the State may notify as Specified Forest Produce from time to time. These products even when found on private land holdings and on non-forest commons are treated as forest products [sec2 g{i (a, b, c)}, Orissa Forest Act, 1972].

Three of the most important NTFPs, i.e. Bamboo, Kendu leaves and Sal seeds have been nationalized. Kendu Leaves (KL) is being procured by State through Kendu leaf Department and Sal seed by OFDC/TDCC. In case of Bamboo, OFDC is the official procurer; but OFDC enters into agreements with Paper industries appointing them as Raw material procurers. Thus most bamboo forests are ‘leased out’ to Paper industries and bamboo is made available to Paper industries at nominal rates. In fact, **villagers have to pay much higher prices for Bamboo than the industry (Rs. 4.30 per piece as against an approx. rate of 15 paise per bamboo for the industry)** (Saxena, 1996).

The Kendu Leaf collection is defined by the Kendu leaf (Control of Trade) Act, 1962. The primary aim of the law and policy for Kendu leaf is to eliminate private trading of Kendu leaf by concentrating the production process in the hands of the State Government with resultant increase in the revenue to the State. The Primary collectors/growers are compensated only for their labor. Thus today a situation has arisen in the KL production process that for every one rupee paid to the primary collector/grower, the State appropriates a profit ranging from Rs.2.50 (1993-94) to Rs. 9.00(1989-90). There have been no attempts to share this profit with the primary collectors/growers or even to provide them with some basic facility. Nationalization has in no way helped the Kendu leaves collectors or growers (CPNR, 1996).

9.2 NATIONALIZATION OF EVEN THE NON-NATIONALIZED NTFP ITEMS:

Though *de jure* only three items i.e. Sal seeds, bamboo and Kendu leaf are Specified/ Nationalized, but the State has, through an administrative order, brought under its exclusive control almost all marketable NTFP through monopoly leases. A private party in the garb of a Joint Sector Company, Utkal Forest Products Ltd., was given long-term lease for 29 items for ten years in 1989. Apart from UFP, monopoly leases have been given to TDCC, OFDC and even private parties.

The government of Orissa has made The Orissa Forest Development Corporation, The Tribal Development Co-operative Corporation Limited and Utkal Forest Products limited agents of the

government for collection and marketing of specified forest produce. The produce coming under these different agencies are given below:

Utkal Forest Products Limited

Seeds: Kusum, Karanj, Gaba, Nageswar, Gilo, Banatulsi, Baghanakhi, Ananta, Polanga, Mahua, Neem, Palas, Siali, Chakunda, Babool, Makhana, Shikakai, Marda, Chironjee, Jute, Bankulthi, Landa Baguli, and Basil.

Others : Benacher, Banahaldi, Kamalagundi, Baidanka and Talmakhan

TDCC

Tamarind (Seeded & De-seeded), Tamarind seed, Seeds of Mahua, Kusum, Karanj, Neem, Sal, Myrobalans, Gums of Genduli, Baheda, Char & Dhawra, Nuxvomica, Loose and bound hill brooms, Shikakai, Aonla, Sunari bark, R.S. Roots, Sal resin, Siali leaves, Siali plates, Sal plates, Broom grass, Thorn broom, Mushroom, Keruan creeper, Merisinga leaves, Soap nuts and Sabai grass.

It is surprising that after years of thriving of State sanctioned monopoly trade in non-nationalized NTFPs, it has now been ‘discovered’ that this monopoly trade was ‘illegal’. And to correct this illegal practice, there was a letter from the State Ministry to the PCCF (dated 5th March 1997) specifying that the monopoly leases for the non-Nationalized NTFPs are not ‘Monopolies’; and that these do not constrain the Government from granting similar leases to other agencies also in respect of the same lease area. However the ‘monopoly lease holders’ continue to operate as the only ‘authorized’ traders in the NTFP trade.

Thus, the State controls all the threads of NTFP production process. The control of the State even extends to the designated forest products growing on private lands and non-forest Government lands.

The Orissa Forest Code and Orissa Forest Produce (Control of Trade) Act, 1983 lay emphasis on encouraging the appointment of Tribal/ Labor Cooperative/ Gram Panchayats as procurement agents for NTFPs. However the involvement of grassroots level cooperatives and Gram Panchayat in NTFP trade has been completely ruled out by giving long-term State wide/division wise monopoly leases.

9.3 STATE ADMINISTERED PRICES OF NTFPS:

The relevant Acts relating to NTFPs have given the responsibility of fixing administered prices of Forest Products to the State Government. For this an Advisory Committee is to function at State level for nationalized products and at the Revenue Development Commissioner (RDC) level for other forest products; to advise the State Government in matters of fixation of procurement prices of the Specified forest produces. These advisory committees are to have representation of Government, Procuring agencies, Traders, Manufacturers using NTFPs as raw materials, elected people's representatives and Growers (who produce NTFPs from their land holdings). There is no representation of Primary collectors who collect these products from forests or from non-forest commons. The committee only advises the State Government on prices and it is not mandatory for the State Government's to accept the recommended price.

The price fixation of other NTFPs have been decentralized from the RDCs' level to the District level. As per the relevant Acts {OFP(CT) Act⁵, 1981 and OKL(CT) Act, 1962}, the prices fixed for the NTFP are mainly based on considerations of minimum wages. Prices are not worked backwards from the market prices, to provide value of these products to the primary producers.

⁵ The Orissa Forest Products (Control of Trade) Act, 1981, Section (7), states that while fixing the price of specified forest products, regard may be paid to, among other things, ‘general level of wages for unskilled labor prevalent in the unit and the provisions of the Minimum Wages Act, 11 of 1948’.

The prices fixed by the state hold have little relevance in the absence of mechanisms to ensure that these prices are paid. The monopoly leaseholders depend in varying degrees on the local sub-agents/traders for procurement of NTFPs. In reality the primary collector hardly get the State administered prices.

9.4 RESTRICTIONS RELATED TO STORAGE, TRANSPORTATION, PROCESSING AND MARKETING:

The laws related to NTFPs place restriction on the amount of NTFP that can be stored by a person, whether collectors or growers. This varies from item to item. The law also provides for registration of growers of specified forest products whose production is in excess of the specified quantity. Similarly for transporting a person may transport individually the specified forest produce up to the quantity as mentioned in the table below at a time from the place of purchase of such produce to the place where such produce is required for his bonafide use or consumption.

Table 9 a Restrictions on transportation of various NTFP items

Gums of Dhawra, Khair and Babool and Resins of Sal and Salai	1 Kg.
Mahua Flowers	5 Kg. for transportation within municipal limits and 75 Kg. For transportation outside municipal limits.
Mahua seeds, Myrobalans and Sal seeds	5 Kg.
Tamarind	1 Kg.

A person desirous of transporting any of the above mentioned produce has to take permission from the DFO of the area. All transportation has to follow the route mentioned in the transport permit and permit has to produce on demand of checking authority.

Restrictions on Storage

Every grower of the specified forest produce other than the government shall, if the quantity of specified forest produce grown by him is likely to exceed the quantity specified below has to get himself registered.

Gums of Dhawra, Khair and Babool and Resins of Sal and Salai	1 Kg.
Mahua seeds	1 Quintal
Mahua flowers, Myrobalans and Tamarind	2 Quintals
Sal seeds	5 Kg.

Registration of Consumers/ raw material users

Every manufacturer who uses any specified forest produce as a raw material and every trader or consumer whose annual use, requirement or consumption exceeds the quantity given below has to get himself registered.

	Trader	Consumer
Gums of Khair and Babool and Resins of Sal and Salai, Seeds of Sal and Mahua and Myrobalans	1 Kg.	5 Kg.
Dhawra gum	1 Kg.	1 Kg.
Mahua flower	1 Quintal	5 Quintals
Tamarind	1 Quintal	20 Quintals

Restrictions on retail sale:

A retail sale licensee shall sell the specified forest produce to individual persons up to the quantity specified below:

Gums of Dhawra, Khair and Babool and Resins of Sal and Salai	1 Kg.
Mahua flowers	5 Kg.
For transportation within city limits	75 Kg.
For transportation outside city limits	
Mahua seeds and Myrobalans	5 Kg.
Tamarind	1 Quintal

NTFPs, transit permits issued by the forest department are required. There are a number of other restrictions governing the transportation of NTFPs. Restrictions for primary level value addition may also exist if interpretation of laws is so made by the enforcers. Higher level processing requires permission through registration from the forest department. The processor/manufacture is also supposed to submit prescribed declaration, accounts and returns. The Forest Department is the enforcing authority for these laws.

These restrictions and permits help in enforcing the trading regime determined by the laws and the policies of the Government. It was found during field studies that even though legally a household can store up to 2 quintals for consumption, villagers have faced harassment by the local excise officials and the local license holders for liquor brewing for being in possession of much less quantities.

9.5 IMPACT OF PRIVATE MONOPOLIES ON GOVT. REVENUE AND THE INCOME OF PRIMARY COLLECTORS

Private monopolies not only reduce the income of the primary collectors but also adversely affect the revenue to the Government. Collections as reported to the Government have also been going down for many of the products. Which can either be due to under-reporting of collections to avoid payment of royalty or due to actual low collections adversely affecting incomes to rural people.

In this context, Sal seed procurement in the Bolangir has been compared over a period of 6 years. During the first three years, 1992 to 1994, the collection was carried out by the OFDC while the collection since then, 1995 onwards is being carried out by a private monopolistic purchaser - Priti Oils based at Rampali in Rengali block of Sambalpur District. The collection figures are provided in the following tables.

TABLE 9.1a Collection of Sal seeds in Balangir district

Year	Target	Collection	Royalty	Primary Collectors' Income (@ Rs 1.75 per kg)	Agent
1992		227	471,996	397,112	OFDC
1993		176	(-22,882)	308,028	OFDC
1994		243	36,444	425,187	OFDC
1995 ⁶	250	25	13,750	43,750	PRITI
1996	250	69	15,941	120,444	PRITI
1997 ⁷	120	40	18,000	69,501	PRITI
1998	43		6,450		

TABLE 9.1 b

⁶ Royalty was charged at Rs 100 per m.t. of collection. Penalty was charged @ Rs 50 per the shortfall of collections from the target fixed by the Government.

⁷ From this year onwards royalty is being charged @ Rs 150 per MT on the whole of the target amount irrespective of the quantum of actual collections.

Years	Total Quantify	Royalty	Income to primary collectors	Agent
Total of 1992 to 1994	646	485,558	1,130,327	OFDC
Total of 1995 to 1997	134	47,691	233,695	PRITI
Loss due to Privatization	512	437,867	896,632	
Avg. Annual Loss	171	145,956	298,877	

Table 9.1c : Loss due to Privatization during 95-97

Man-days of employment lost (at Govt. rate)	11,955
Man-days of employment lost (at local rate)	18,680
Notional loss of subsistence person-days (calculated as equivalent of 500 gm of rice per person per day) (rice @ Rs 600 per qtl) (Rs 2.40 per day)	124,532

As can be seen from the tables privatization has reduced the income of the primary collector community by Rs 3 lakhs per annum. At the same time it has not increased the royalty of the Government. In terms of reduction in Royalty the Government has lost an estimated average amount of about 1.5 lakh rupees.

In case of Sal seeds, non-collection of Sal seeds at many occasions have led the gatherers to give up collecting Sal seeds. Balangir district is not a major producer of Sal Seed but its evident that such situations must be taking a serious toll of rural livelihoods not in the major Sal seed producing areas and also in cases of other NTFPs being collected through a private monopolistic system. It is also adequately clear that the Government is not serious about the welfare of the primary collectors. The Government has attempted to solve the problem of low royalties in Sal seeds by charging penalty of Rs 50 per MT of shortfall from the targeted amount in 1994-95 and charging royalty on the entire target amount since 1996; but has done nothing to see to it that the actual collections are enhanced.

9.6 NTFP AND JOINT FOREST MANAGEMENT:

Government of Orissa has been encouraging villagers to protect Reserved Forests from 1988. In 1993 the GoO⁸ issued a resolution to facilitate Joint Forest Management. As per this resolution, VSS (Van Samrakshan Samiti) with whom the Forest Department enters into a Joint Forest Management arrangement is supposed to get 100% of all intermediate produce from the jointly managed forests. This implies all rights over NTFP (intermediate produce) of the VSS. However this has no meaning, since regulations over NTFP trade remain the same even in JFM areas and the ownership rights over NTFP do not get transferred to or even shared with the co-managers.

Surprisingly, the perspective of relating to the primary collectors/ producers of NTFP as mere labor by the State/ Forest Department does not change even when local communities get accepted as co-managers of forest lands under Joint Forest Management. Thus, instead of the promised 100% (of the value) of the intermediate produce, **members of VSS only get wages for collecting NTFPs from forest lands of which they are supposed to be managers.**

9.7 NTFP AND THE EXTENSION OF PANCHAYATI RAJ TO SCHEDULED AREAS (AMENDMENT) ACT:

The recent Act for Extension of Panchayati Raj to Scheduled Areas gives ownership rights over Minor Forest Produce to the Gram Sabhas in the Scheduled Areas. A committee set up to look into the implications of transfer of ownership rights to Gram Sabha in Scheduled Areas recommends that such rights (more in usufructory rights form) should not be restricted to Scheduled Areas but should be extended to all areas.

⁸ Government of Orissa

Following the Central Act, the State has enacted Orissa Act for the same. However, the Orissa Act has tried to circumscribe the Constitutional Provisions of the Central Act by adding a clause 'consistent with relevant laws in force' while incorporating the Constitutional provision concerning the competence of the Gram Sabha to manage community resources and dispute resolution as per the customs and traditions of the people. Thus, tribals can have ownership rights over Minor Forest Produce, but only if the relevant laws in force allow that. This is clear violation of the Constitutional Provision of the Central Act since in case of any inconsistency the relevant laws have to be changed instead of negating the rights granted to Gram Sabha as per the Central and State Acts in this regard. Instead of clear rights to Gram Sabha, space has been kept for involvement of higher order Panchayati Raj institutions instead of the Gram Sabha by mentioning assignment of powers amongst the Gram Sabha and the Panchayat at the appropriate level.

In practice NTFP trade modalities have not changed in Scheduled Areas even after this Act; and despite Gram Sabhas being the constitutional owners of NTFPs private and Government monopolies are outraging the rights of tribals even in the Schedule V areas. There has been a letter from the Forest Secretary, GoI on the issue to the State urging the States to implement the State Act.

Over the last two years there has been considerable pressure building on the Government to justify its NTFP Policy, review and change it to ensure greater benefits to the primary collectors. The case of Mandibisi Mahila Mandal has brought forth starkly the hypocrisies of the State and the Development process. After a long struggle Aama Sangathan an apex forum of Mahila Mandals (women's groups) including Mandibisi Mahila Mandal has got the lease to trade in broom grass and hill brooms. The very fact that tribal women had to *fight* for a right to sell freely broom grass and tie up brooms in this era of 'liberalization' expose the inconsistencies in the Government Policies. Despite several Workshops, discussion and debate and pressure from various quarters and despite the legislation for ownership rights to Gram Sabhas in Scheduled area; the Government of Orissa has not brought about any changes in its policies to open up NTFP trade.

9.8 OVERALL IMPACT OF THE CURRENT NTFP POLICIES

The overall impact of the current policies and laws are:

i) ***Depression of prices received by the primary collectors*** for NTFPs, specially due to monopoly leases and high royalty fixed by the Forest Department, with a resultant deprivation of their livelihood.

ii) ***Restriction on Processing/ Value Addition on NTFPs by primary collectors thus restricting avenues for increase in income and employment at the village level.***

iii) ***Low utilization of potential of NTFPs*** due to low returns to the primary collectors as they find it uneconomic to collect NTFPs if the prices offered to them are too low. Apart from the implications on the livelihood of the primary collectors, it also leads to loss of income to State.

iv) ***Continued exploitation of the tribals and other forest dependent communities by the traders/moneylenders.*** As discussed earlier the monopoly system has not been able to eliminate the exploitative traders, who now operate either as unofficial sub-agents of the monopoly procurers or collect forest products without a license.

v) ***Loss of revenue to the State Government:*** Organizations like TDCC, in spite of having monopoly procurements rights over many products, have neither been able to serve their objective of welfare of tribal people and nor have they been able to provide revenue to the State Exchequer. Despite efforts to check illegal trade and smuggling of forest products by control in trade, it still continue with consequent loss to the state exchequer.

vi) ***Low stake of forest dependent communities in sustenance of forests*** : The chords of symbiotic relationship of forest dwellers with forests has been severed through changes which have led to State appropriation of local resources disregarding local natural rights. Due to the treatment of the primary

collectors only as wage labor rather than producers, and due to the low returns to them from the collection of forest product, their stake in protection of forests have been reduced.

It is ironic that while crores of rupees are spent for tribal development and rural development programmes; for a few crores of royalty to the State exchequer the right to livelihood of a large forest dependent population is gravely compromised. The enormous possibilities of augmentation of income of the poorest remain untapped due to faulty policies regulating NTFP trade and restricting access of poor to forest products and their markets. Strengthening NTFP based livelihoods of forest neighboring population would also strengthen local stake in forest conservation and would help in sustainable forest resource management.

The Tribal Development Co-operative Corporation Limited was formed in the year 1973. It was established to act as an apex organisation for the co-operative societies of the state working in tribal sub plan areas. The agency has around 200 LAMP societies, 47 Panchayat Samitis and the state government as its members. The major objectives of the organisation are,

1. To supervise, assist, provide technical guidance and develop the business of Primary Forest Produce Marketing Societies, Forest Labour Co-operative Societies and other co-operative societies functioning in the scheduled areas of the state for the benefit of tribals.
2. To arrange for sale of the forest produces of the member societies to their advantage with the main objective being to raise the economic standards of the tribals and landless forest labourers engaged in the collection of the forest produce.
3. To arrange for the processing of the forest produce to give a better price to the tribals and to take up marketing of forest produces inside and outside the state and to disseminate marketing intelligence to the advantage of its members.
4. To take up procurement of forest produce and their pooling, grading, standardisation and processing where necessary, directly or through its members.

The procurement is done by forward sales, tie-up sales or through LAMPS. Forward sale involves selling the produce to the highest bidder after inviting tenders. The tender selection process is completed before the commencement of the collection season. In tie up sales the TDCC appoints agents who are responsible for the procurement of the forest produce from the collectors. The agent pays TDCC some money in the form of royalty. TDCC also involves LAMPS for the procurement process in some areas. LAMPS are paid a commission of 2 % based on the collection price.

The Utkal Forest Products Limited is a joint sector company with Mr. J.P. Lath holding 51% of the shares and Industrial Promotion and Investment Corporation of Orissa Limited holding the rest. The company has been given lease for 29 items, mainly oilseeds of tree origin. The staff of the company handles the procurement and the company pays royalty to the government for the produce leased to it. The company processes the forest products collected at the oil extraction plants located at Sason, Ambaguda and Rairangpur (These extraction plants belong to Mr. J.P. Lath, the MD of the Utkal Forest Products Limited.). The company supplies processed oils to TRIFED. It also sells processed oils to soap and detergent manufacturers.

The third agency dealing with the trade of Non Timber Forest Products in the state is The Orissa Forest Development Corporation Limited. The government started the corporation in 1962 as Orissa Forest Corporation Limited. Two more companies were merged with the corporation in 1990 and it was renamed as The Orissa Forest Development Corporation Limited. The corporation entered into Kendu leaf trade in 1965-66 and Sal seed trade in 1974-75. The corporation was made the sole agent for marketing of Kendu leaf in 1973, for Sal seed collection and marketing in 1983 and for bamboo harvesting and marketing in 1988. The corporation was also been entrusted with the task of Mahua flower collection in 1991 along with TDCC but the trade has been opened to private traders since 1992.

Case of Bamboo

After the nationalisation of the bamboo by the government in 1988, the corporation was appointed as the sole agent of the government to extract bamboo in the entire state. The paper mills were appointed as sub agents of OFDC to extract bamboo and they used to pay royalty to OFDC for being appointed as sub agents. Now the paper mills have been appointed as "raw material procurers" and the staff of the OFDC have been transferred to the paper industry. The system has created a sub monopoly in favour of paper industries. The section (2) of the Forest Conservation act 1980 forbids any state government from assigning land to any private party on lease or otherwise without the prior approval of the central government. Before appointing paper industries as raw material procurers for bamboo in Orissa, no such permission was taken, therefore the legality of the arrangement is doubtful. The local people have to depend on paper mills for the supply of bamboo. A study by N. C. Saxena, 1995, reveals that paper mills are getting bamboo at the rate of 15 Paise per piece while a local tenant has to pay a price of Rs. 4.30 for the same. This is a classic case where industries are being subsidised at the cost of common man.

Chapter 10. Comparison of the State level Trade & Policy Environment

10.1 Kendu Leaves

All the states that were a part of the study have nationalised the trade in Tendu leaves. The pioneering state was Orissa, which took over the control of the trade in 1961 and nationalised it in 1973. The following table shows the timeline of initiation of state controls of Tendu leaf trade in different states.

	Madhya Pradesh	Andhra Pradesh	Orissa	West Bengal	Bihar
State control	1964	1971	1961	1980	1973
Nationalisation			1973		

All the states have imposed restrictions on the purchase, storage, sale, import and export of Tendu leaves by private agencies and have appointed either Forest Development Corporations or tribal Development Corporations their agents for handling the Tendu leaf trade. Madhya Pradesh has created a Minor Forest Produce Co-operative Federation for handling the same. The agencies associated with collection and marketing of Tendu leaves are listed in the following table;

	Madhya Pradesh	Andhra Pradesh	Orissa	West Bengal	Bihar
Apex collection organisation	MPMFPCF	APFDC	FD	WBDCC	BFDC
Field level collection organisations	PFPCS, DFPCU	Agents	Agents	LAMPS	Agents
Marketing	MPMFPCF	APFDC	OFDC	WBDCC	BFDC

Madhya Pradesh and West Bengal have handed over the collection of the leaf to co-operative societies while in Bihar, Andhra Pradesh and Orissa the collection is done by the agents of the apex agencies. Orissa is the only state where the forest department handles the collection itself. Marketing of the leaves is done by the apex agencies in all the states. The different governments took over the control of the trade in all these states to ensure payment of better rates to poor tribals and also generate sufficient revenue for the state. The % share of the tribals in the total revenue generated per unit, in these states is shown in the following table:

	Madhya Pradesh	Andhra Pradesh	Orissa	Bihar
1989-90	16		7	
1990-91	45		15	
1991-92	32		19	
1992-93				69
1993-94		44	19	71
1994-95		36		58
1995-96	37	49		63
1996-97		50		56

If we compare the share of primary collectors, then their share in Bihar is on the higher side hovering between 55 to 70 % while in Andhra Pradesh the share ranges between 35 to 50 %. In 1995-96 the

value for Madhya Pradesh comes to 37 %. The share of primary collectors in Orissa is lowest with the 1993-94 value at 19%. In case of Bihar the percentage share is higher because the sale price per standard bag is lower in comparison with other states. But in spite of the lower sale price the state fares better when paying its primary collectors by giving them a higher share of total revenue generated.

Madhya Pradesh and Andhra Pradesh have started group insurance schemes for their Tendu leaf collectors between the age range of 18-60 years. The schemes envisage a payment of 3000 in case of normal death and of 6000 in case of accidental death to the nominee of the deceased. In Andhra Pradesh a premium of Rs. 15 was taken from the primary collectors in the initial year and an equal amount was paid by the LIC from its social security fund towards the premium amount. From 1992 onwards the forest department started paying the premium in lieu of the beneficiaries. Madhya Pradesh has also started a system of bonus payment to the Tendu leaf collectors out of the royalty received by the state. The details of the system are not available.

Problems arising due to nationalisation

The state control of the trade has increased the flow of money to collectors, but it has also created its own set of problems. Some of them are:

1. The agents only accept superior quality leaves unlike private contractors who had the flexibility to accept lower quality leaves at lower prices. The private contractor extended the procurement up to the onset of monsoons but in the new system the procurement stops much before that. This affects the earnings of collectors negatively. (Campbell, 1995).
2. In West Bengal where LAMPS have been entrusted with the task of collection of leaves the experience has not been satisfactory. The LAMPS are not able to carry out regular pruning of Tendu bushes resulting in loss of produce both in quantity and quality. LAMPS are also not able to make prompt payments due to procedural difficulties. (Saigal, Agarwal and Campbell, 1996).

10.2 Sal seeds

All the states, which were a part of this study, have nationalised the trade in Sal seeds.

Madhya Pradesh was the first state to do so in 1975 by adding Sal seeds to the list of specified forest produce. The following table shows the year of nationalisation in different states.

	Madhya Pradesh	Orissa	West Bengal	Bihar
Nationalisation	1975	1983	1980	1978

In all the study states the trade is regulated under forest produce control acts, which control the trade of specified forest produce. These acts place quantitative restrictions on purchase, storage, import and export of Sal seeds. The agencies associated with collection and marketing of Sal seeds are listed in the following table:

	Madhya Pradesh	Andhra Pradesh	Orissa	West Bengal	Bihar
Apex collection organisation	MPMFPCF	GCC	OFDC	WBTDC	BFDC
Field level collection organisations	PFPCS, DFPCU	GCC Supervisors	RMPs	LAMPS	Agents
Marketing	MPMFPCF	GCC	-	WBTDC	BFDC

In Madhya Pradesh and West Bengal primary co-operative societies, PFPCS & LAMPS do the procurement respectively under the overall supervision of apex organisations while in Andhra Pradesh and Bihar the procurement is done by the staff and agents of the apex organisations. Orissa Forest

control in 1969 by making them specified forest products. But they were taken off the specified list in 1972 and the trade was made free again. The year of nationalisation and the current legal status of these products is shown in the following table:

	Mahua flowers	Mahua seeds
Madhya Pradesh	Specified - 1969 De-specified - 1972 Current status- De-specified	Specified - 1969 De-specified - 1972 Current status- De-specified
Andhra Pradesh	Specified- 1980	Specified- 1980
Orissa	Specified- 1981	Specified- 1981
Bihar	Specified- 1984	Specified- 1978

The various organisations responsible for carrying out collection and marketing of Mahua flowers and Mahua seeds in different states are listed out in the following tables:

Mahua Seeds

	Madhya Pradesh	Andhra Pradesh	Orissa	W. Bengal	Bihar
Apex organisation for collection	Private trade	GCC	UFPL*	LAMPS	BFDC
Field level organisations for collection	Agents of traders	GCC Supervisors	Staff	LAMPS	agents
Marketing	Traders	APFDC	-	LAMPS	BFDC

*UFPL is a joint sector company, which has got exclusive rights to collect Mahua seeds in the entire state.

Mahua flowers

	Madhya Pradesh	Andhra Pradesh	Orissa	West Bengal	Bihar
Apex organisation for collection	Private trade	GCC	Private trade	LAMPS	BFDC
Field level organisations for collection	Agents of traders	GCC Supervisors	Agents of traders	LAMPS	Agents
Marketing	Traders	APFDC	Traders	LAMPS	BFDC

The current prices in all the states range between Rs. 2.50 to Rs. 5.00 per Kg. depending on the market demand. As already discussed earlier in the report the share of primary collectors in the final consumer price ranges between 20% to 50% in Madhya Pradesh. The share of primary collectors in Andhra Pradesh is between 66% to 96 % out of the sale price achieved by the Girijan Co-operative Corporation Limited.

10.4 Legal Controls on Trade of NTFPs

The different states, which were a part of this study, have gone in for partial nationalisation of Non Timber Forest Products. The emphasis of nationalisation has been on those products that have a high revenue generation potential like Kendu leaves and Sal seeds. The list of specified forest products in different states is being attached with the report. While in Andhra Pradesh, Orissa, Bihar and West Bengal almost all the products have been brought under the purview of Forest Produce Regulation

acts, Madhya Pradesh has only a few items on the list. The acts related with the trade of NTFPs in different states are listed below.

Madhya Pradesh

1. Tendu Patta (Vyapar Viniyaman) Adhiniyam, 1964.
2. Van Upaj (Vyapar Viniyaman) Adhiniyam, 1969.

Andhra Pradesh

1. The Andhra Pradesh Minor Forest Produce (Regulation of Trade) Act, 1971.

Orissa

1. The Orissa Kendu Leaves (Control of Trade) Act, 1961.
2. The Orissa Forest Produce (Control of Trade) Act, 1981.

Bihar

1. Bihar Kendu Leaves (Control of Trade) act, 1973.
2. Bihar Forest Produce (Regulation of Trade) act, 1984.

Although the Forest Produce (Regulation of Trade) act, was passed in 1984 the state government had issued an ordinance in 1978 reserving a few tree borne oilseeds and banning private trade in them.

The acts are supplemented by rules made under the act. The acts have also been amended a few times. An essential feature of all these acts is placing restrictions on the flow of a few NTFPs in private trade channels and completely nationalising a few others. In case of complete nationalisation the collection as well as marketing of these products is handled by government appointed agents, which are either forest or tribal development corporations.

10.5 Collection, Purchase & Marketing Systems

Madhya Pradesh has established a co-operative federation with a specific mandate to trade in minor forest products. But the emphasis of the corporation is on the collection of Tendu leaves which has an annual turnover of around 1000 crores. Andhra Pradesh has established Girijan Co-operative Corporation Limited which has a wider mandate, the corporation has got exclusive rights to trade in Non Timber Forest Products as well as surplus agricultural products. All the other states have entrusted the task of collection and marketing of Non Timber Forest Products either to the state Forest Development Corporations or Tribal Development co-operative corporations. The agents of these apex organisations handle the purchase operations. Madhya Pradesh and West Bengal have established primary co-operative societies (PFPCS) and large area multipurpose societies (LAMPS) for the purchase purpose at field level. GCC OF Andhra Pradesh purchases the NTFPs through its own staff. In Bihar and Orissa agents of the FDCs do purchases at the village level & TDCCs. UFPL of Orissa engages its own staff for the same. Marketing of the purchased NTFPs is done by the apex organisations themselves. The various methods used are as follows:

1. Forward sale on the basis of the total estimated production from a unit.
2. Tie-up sales
3. Auctions

TRIFED is one of the major buyers of these products, especially the oilseeds.

Some of the apex organisations arrange the working capital from banks and provide funds to the PACS and LAMPS purchase and other administrative expenses. On realisation of the sale value the funds are deposited in the accounts of these primary societies after deducting the overhead costs and the interest charges. The agencies entrusted with the collection and marketing of Non Timber Forest Products are listed in the following table:

	Madhya Pradesh	Andhra Pradesh	Orissa	W. Bengal	Bihar
Apex Collection organisations	MPMFPCF	GCC	OFDC, FD, TDCC, UFPL	WBTDC, LAMPS	BFDC, BLF BTDC
Field level Collection organisations	PFPCS, DFPCU	GCC	RMPs, Staff & Agents	LAMPS	Agents
Marketing Organisation/s	MPMFPCF	GCC	OFDC, TDCC, UFPL	WBTDC, LAMPS	BFDC

Only the Orissa government has decided to lease 29 items, mainly tree borne oilseeds to a joint sector company, Utkal Forest Products Limited. In no other state exclusive lease has been given to joint sector or private companies. The modus operandi of these organisations has been already discussed in the report.

The TDCC of Orissa is running on loss since inception and the capital base of the company has been completely eroded. Its accumulated losses on the closing of the financial year 1993-94 were 31 crores with an equity base of 13. 56 crores. The management attributes the continuous losses to heavy interest burden on the working capital, high overheads and predetermined royalty amounts for the leased products irrespective of the revenue realisations for each product. A comparison of the financial assistance provided by the state governments to the TDCCs of their states is shown the following table.

	OTDCC	GCC	WBTDC
Managerial Subsidy	20 lakhs ¹	Expenditure fully reimbursed	Expenditure fully reimbursed
Royalty	80 lakhs	Expenditure fully reimbursed	Expenditure fully reimbursed
Purchase & Sales Tax	15 lakhs ²	Nil	Expenditure fully reimbursed

¹ The annual expenditure is around 1.4 crores.

² This tax is passed on to the buyers but the management feels that this has a bearing on the sale quantity.

10.6 Effects of nationalisation of NTFP trade

Creation of Monopsonic conditions

The gradual nationalisation of Non Timber Forest Products in different states have created a system in which primary collectors are bound to sell their collection to authorised government agents. The systems were created to eliminate middlemen from the trade of these products so that a greater share of revenue realised from the trade could be passed on to primary collectors. But replacing a free trade system with one in which only a single buyer is present has created its own set of adverse effects.

Nationalisation and controls reduce the number of legal buyers, choke the free flow of goods, and delay payment to gatherers, as government agencies find it difficult to make prompt payments. This results in contractors entering from the back door, but they must now operate with higher margins required to cover uncertain and delayed payments by the government agencies, as well as to keep police and other authorities ignore their illegal activities. (Saxena N.C., 1995)

Restrictions on processing

The acts also prevent processing of NTFPs by primary collectors and the subsequent sale of value added products. Section 5 (1) of the Andhra Pradesh Minor Forest (Regulation of Trade) act, 1971, says, ' Upon the issue of a notification under sub section (3) of section 1 in respect of an area no person other than

- a. the government, or
- b. an officer of the government authorised by writing by them in that behalf, or
- c. an agent appointed for a unit, shall sell or purchase or cure or otherwise process or collect or store or transport any minor forest produce to which this act applies' .

The produce has to be sold to authorised agents in raw form. Broom grass from Orissa is a case in point. A primary collector can not bind the broom grass into brooms and has to sell unprocessed broom grass to TDCC OF Orissa. The whole purpose of state control over the trade of this produce gets defeated in this process.

Creation of sub-monopoly

In Orissa the collection of bamboo and Sal seeds has been handed over to paper mills and oil extraction plants respectively by making them ' Raw Material Procurers ' for the principal lease holders The Orissa Forest Development Corporation. This has again left poor people at the mercy of private trade because of its different priorities. In this manner the state government has created a monopoly in favour of third parties from its own monopoly.

The authorised agents appoint erstwhile private contractors dealing in the trade as sub agents. And more often than not these sub agents still manage to buy NTFPs at a lower price than that fixed by the government and make some money by selling to the government agencies at the fixed rate. Private trade in Sal seeds is banned in Madhya Pradesh, but shopkeepers manage to exchange it from tribals for daily necessities at a low price. (Saxena N.C., 1995)

Loss making state trading organisations

Girijan Co-operative corporation is one organisation, which has been successful in providing the primary collectors a greater share of revenue. Favourable government policies and well-established financial support system have aided its success. All the other FDCs and TDCCs are facing financial problems and at times unable make timely payments to primary collectors. In West Bengal LAMPS delay the payments to Sal seed collectors because revenue realisation has to be routed through WBTDC (Saigal, Agarwal and Campbell, 1996).

The Bihar Forest Development Corporation is facing a financial crunch. The corporation has not been able to build sizeable reserves and has to take loans from the state government and co-operative banks for financing annual purchase operations. The total equity base of the Tribal Development Co-operative Corporation of Orissa has been eroded due to continuous losses since its inception.

The Forest Department by virtue of its ownership of the forestland imposes royalties on the agents who purchase NTFPs from the primary collectors. In fact the entire surplus generated by Madhya Pradesh Minor Forest Produce Co-operative Federation & The Bihar Forest Development Corporation is deposited in the government treasury. In Orissa the total annual royalty for the Orissa Tribal Development Corporation is around Rs. 80 lakhs. Only West Bengal and Andhra Pradesh state governments fully reimburse the royalty paid by the Girijan Co-operative Corporation Limited and The West Bengal Tribal Development Co-operative Corporation Limited respectively. This system of royalty payment puts an added burden on the already poor financial status of corporations.

High royalty also leads to flow of products through illegal channels. If a high royalty differential exists between two neighbouring states then the product is illegally transported to the state with lower royalty. Gum Karaya collected from Orissa is sold in the Andhra Pradesh. Some of the state governments have abolished royalties on NTFPs. Madhya Pradesh Government has abolished royalty on all Non Nationalised NTFPs since 1986 (Saigal, Agarwal and Campbell, 1996).

10.7 Joint Forest Management Resolutions on Non Timber Forest Products

The usufructory rights granted under the JFM resolutions for different states are as follows:

Andhra Pradesh

There are two types of usufruct items subjected to different rules,

a. Non reserved items

These items are available to the Forest Protection committee free of cost and include

1. Leaf and grass fodder
2. Thatch grass
3. Broom grass
4. Thorny fencing material obtained from specified species.
5. Fallen lops, tops and twigs used as fuelwood

The FPCs are not entitled to reserved items such as items leased to Girijan Co-operative Corporation and Tendu leaves, which is reserved for Andhra Pradesh Forest Development Corporation.

Bihar

The villagers are allowed to remove dry branches, leaves and grass from the forest free of charge.

Madhya Pradesh

The villagers have been given the right to collect forest produce excluding the nationalised forest produce. The villagers are also entitled to entire quantity of fuelwood, poles and bamboo produced from thinning and clearing. The committee is also given 30 % of the net income obtained from nationalised minor forest produce.

Orissa

Forest Protection Committee members are entitled to collect free of cost usufruct like leaves, fodder, grasses, thorny fencing material, fallen lops and tops and twigs used as a fuelwood.

West Bengal

The forest Protection committee members are entitled to fallen twigs, fruits, flowers, seeds (except cashew). Forest protection committees are also entitled to 25 % of the net sale proceeds of cashew. In North Bengal areas FPC members are entitled to collect medicinal plants.
(Saigal, Agarwal, Campbell, 1996)

Chapter 11. Conclusions

The study has analysed the NTFP trading systems with adjoining states of Orissa and compared them with that of Orissa. Some of the possible alternatives for strengthening the trading system in Orissa with a focus on the primary collectors are discussed in the following paragraphs.

The Monopsonic purchase of NTFPs by state agencies like OFDC, TDCC and the joint sector company UFPL has not helped the primary collectors of the state as intended while creating the state monopoly. The system requires efficient government machinery with added political support. The state run corporations, which are managed by a bureaucratic set-up, have not been able to ensure efficiency and results have not been satisfactory. TDCC has always been in red and OFDC is concentrating only on a few products. So it is better that the government agencies play a regulating and supporting role rather than being involved in implementation. So the government may allow private trade in NTFPs by enacting changes in the existing legislation. The state run corporations may only intervene when the private trade is unable to pay a pre- announced support price (As in the case of wheat in north India). This may require some kind of subsidy arrangement for these corporations because it will be difficult for them to generate a surplus in such a kind of system.

The second alternative is to let the government buying and private purchase exist simultaneously. This will ensure a demand side spurt in prices leading to a higher return to the primary collector.

Recognition of rights of primary collectors

Orissa Forest Produce (Control of Trade) act, 1981, recognises the customary rights of local tribals to gather and collect the specified forest produce. (Section 5 (a) of the act). But in the absence of any right to process and sell the specified forest produce, the spirit behind granting such rights is negated. For example in Orissa the tribal women are not allowed to wind hill broom grass into hill brooms. When some tribal organisations tried to store hill broom grass for processing the stock was seized and people arrested. There is no logic in not allowing tribal women even to take even this activity.

West Bengal has given all the rights to LAMPS for collection, processing and sale of non-nationalised forest produce. Only two nationalised products, Kendu leaves and Sal seeds are exclusively reserved for marketing by West Bengal Tribal Development Co-operative Corporation. For rest of the products the WBTDC acts as a credit support agency for taking up collection, processing and marketing operations.

So the government should facilitate the formation of primary co-operative societies, allowing them procurement, processing and marketing activities.

Steps needed to strengthen primary co-operative societies

- **Procurement**

The government should ensure smooth credit flow to these societies for collection operations so that they can make prompt payments, thereby increasing the confidence of primary collectors in them. The credit may be made available on softer interest rates. These societies may be allowed to use the storage and other infrastructure available with TDCC and OFDC. This will help in reducing the capital costs and increase the financial viability of such co-operatives.

- **Processing**

Some NTFPs may be reserved for cottage and tiny sectors. The government should also ensure that technical skills NTFP based enterprises should be provided to co-operatives. Girijan Co-operative Corporation has formed Community Co-ordination Teams (CCT) for developing tribal organisations (TO) in Integrated Tribal Development Areas of Andhra Pradesh. These organisations are being

geared up to assume commercial responsibilities. The Orissa government may proceed on similar lines in terms of co-operatives of primary collectors.

- **Marketing**

As already mentioned the role of the OFDC and TDCC should be altered so that they can become supporting bodies. They should provide minimum support prices (MSP) to the primary collectors when prices in the open market tumble below the MSP.

Inappropriate Royalty Rates

High royalty rates erode the bottom-line of the government run corporations. Total royalty paid by TDCC is to the tune of Rs. 80 lakhs per year. Royalty for hill broom grass is Rs. 7 to Rs. 9 per Kg. while the primary collector is getting Rs. 3 per Kg. for the same. No market can sustain such kind of payment system in the long run. Madhya Pradesh and West Bengal do not charge any royalty on non nationalised products. In Andhra Pradesh, Girijan Co-operative Corporation gets full reimbursement for its royalty payment to the government. The Orissa government may proceed on the similar lines and either announces a full royalty waiver on non-nationalised products or compensate the state run corporations for the royalty payment.

Market prices and government fixed prices should be widely publicised. GCC makes regular radio announcements and takes the help of pamphlets and loudspeakers to publicise its collection rates. OFDC and TDCC in Orissa may follow these schemes.

Chapter 12. Recommendations on various NTFPs

Kendu leaves

- The purchase system may be handed over to the co-operative societies formed by primary collector. These societies may need sustained financial support in the initial years and till they are able to generate sufficient surplus on their own, smooth credit flows to them must be ensured by the government.
- Since the Kendu leaf trade generates a sizeable surplus for the state, collection rates may be increased to significant extent. Currently the primary collectors are getting around 20 % of the total revenue generated. The other states in the study pay between 40 to 65 % of the total revenue to primary collectors.
- Madhya Pradesh and Andhra Pradesh have introduced a system of Group Insurance Scheme for all the Kendu leaf collectors of their states. The details of the scheme have been mentioned in the report. The Orissa government may also follow the same. Life Insurance Corporation, the insurance agency in Andhra Pradesh has agreed to pay a part of the premium from its social security fund and the forest department gives the rest in lieu of the insured Kendu leaf collectors. The Orissa government may approach the Life Insurance Corporation for a similar kind of arrangement in Orissa.

Sal seeds

- The collection rate in Orissa is comparable to the adjoining states. Bihar had raised its collection rate to Rs. 2.50 per Kg. in 1996 but was unable to off-load the collected stock at higher prices. The Bihar Forest Development Corporation finally paid Rs. 1.70 to 1.75 per Kg. to primary collectors. The BFDC has established its own solvent extraction plant at Latehar and process a major portion of the collected stock at the plant.

Mahua seeds

- The government may allow the processing of Mahua seeds by village based enterprises. The current collection rate in Orissa is between Rs. 4.5 to 5.0 per kg. Assuming a yield of 40% of oil in expellers, 2.5 Kg. of Mahua seeds is required to produce a Kg. of Mahua oil. The current market rate for Mahua oil is Rs. 27 per Kg. An expeller including motor and oil filter costs around Rs. 90,000. This may be installed for a cluster of villages in Mahua seed producing areas. The processing cost comes to around Rs./ 2 per Kg. So the total cost for processing for 1 Kg. of Mahua oil comes to Rs.5. So setting up local expellers generates an additional income of Rs. 10 per 2.5 Kg. of Mahua seeds. The government should help in arranging funds for establishment of these plants in oil seed producing areas. The expeller may be used for extracting oil from other oilseeds also.

Chironjee

- Chironjee kernel sells in the range of Rs. 200-350 per Kg. in some of the major cities of the country (Hyderabad, Nagpur and Delhi). This produce may provide very high margins and if marketed properly, returns to the primary collectors can be increased significantly. Primary co-operative societies of primary collectors may be allowed to trade in this product. The price increases sharply at times in the non-collection season, so the society can hold the stock after collection and sell when the price is higher.

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Abbreviations

APFDC	Andhra Pradesh Forest Development Corporation
BFDC	Bihar Forest Development Corporation
BTDC	Bihar Tribal Development Co-operative Corporation
BLF	Bihar Lac Federation
DFPCU	District Forest Produce Co-operative Union
FD	Forest Department
GCC	Girijan Co-operative Corporation
LAMPS	Large Area Multipurpose Co-operative Societies
MPMFPCF	Madhya Pradesh Minor Forest Produce Co-operative Federation
OFDC	Orissa Forest Development Corporation
OTDC	Orissa Tribal Development Co-operative Corporation
PFPC	Primary Forest Produce Co-operative Societies
Std bag	Standard bag
UFPL	Utkal Forest Products Limited
WBTDC	West Bengal Tribal Development Co-operative Corporation