

Enhancing income of marginalized communities through appropriate policy changes

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Introduction:

More than 1/4th of the total population of the state critically depends on forests and forest products for their subsistence and livelihood. Amongst resource dependants, dependency of tribal community on NTFPs is extremely high. Forest products have been supporting this population for 6-8 months in a year, both in terms of subsistence and cash benefit. More particularly, the dependence of tribals on NTFP becomes very high followed from their status of being largely landless and marginal landholders. According to Planning Commission, Govt. of India, income derived from selling of NTFPs constitutes around 60% of the total annual income of tribal households. Looking into the importance of NTFPs in the tribal economy Government of Orissa took a progressive step in the year 2000 and deregulated 68 MFPS and handed over its ownership to the Gram Panchayats leading to abolishment.

Following this progressive policy change, lot of community based NTFP enterprises in the form of SHGs, Cooperatives have emerged in different parts of the State. Significantly developing such micro-enterprises has occupied a significant place under Mission Shakti programme and also under different ITDAs. Interestingly, one of the common NTFP traded by these enterprises happens to be Mahua, which is commonly found in most of the forested regions of the State. Particularly Mahua trees are more abundant in Western, Northern and Southern part of the state, particularly in Sambalpur, Sundergarh, Bolangir, Nuapara, Kalahandi, Nawarangpur, Malkanagiri, Koraput, Rayagada, Kandhamal, Boudh, Ganjam, Gajapati, Angul, Dhenkanal, Deogarh and Mayurbhanj districts most of which have high schedule caste population.

According to an estimate during one Mahua flower season which generally spreads over three to four weeks, on an average one family manages to collect 5 quintals and makes an earning of around Rs. 2500 to 3000 which is almost 25 to 30% of their total annual income. This shows the critical role of Mahua flower in addressing the issue of food security of lakhs of poor families in the state during the leanest period.

Mahua vis-à-vis Policy Situation

Following the policy change, the State government formed a high level committee consisting of three Secretaries with an aim to review the implementation of new NTFP policy and to remove all the bottlenecks for its smooth and effective implementation so as to enable the tribals to derive full benefits from the policy. Based on the recommendations of the committee the state government dissolved the State Price Fixation Committee and handed over the authority of price fixation to the Panchayat Samities. Further necessary amendments were brought about in the Gram Panchayat rules and regulations and Orissa Gram Panchayats (Minor Forest Produce Administration) Rules 2002 was enacted to empower the panchayats to implement the policy. Another significant step to operationalise the policy has been in terms of abolishment of various restrictive mechanisms like monopoly leasing, transit permit and royalty.

In spite of these efforts, poor have not been able to reap greater benefit from Mahua as it continues to be regulated by Excise rules under Bihar and Orissa Excise Act, 1915 which brands it as intoxicant and hence is subjected to all kinds of duties, taxes, fees and levies as in the case of other intoxicants. As a result poor people or their collective enterprises are facing lot of hardships and harassment as bearing so much would leave no profit or benefit for the common people. Traders are seldom affected as they use lot of unscrupulous means and evade fees and duties.

Thus, we see that Mahua flower actually does not enjoy a free status like other 67 items listed in the MFP category list and thus directly contravenes the spirit of the progressive policy.

Such a situation also raises a more pertinent question as to why raw Mahua flower should be treated as intoxicant. If we examine the use of Mahua we may find that raw Mahua flower is not an intoxicant in itself. The following points may be considered in this regard:

1. Mahua flower or cream coloured corollas which fall on the ground are being collected and dried under the sun for three to four days by the primary collectors and are sold thereafter. The corollas are rich source of sugar and contain appreciable amounts of vitamins and calcium. Analysis of a sample gave the following values: moisture 18.6; protein 4.4; fat 0.5; total sugar 72.9; fibre 1.7 and ash 2.7% phosphorus 140; calcium 140 and iron 15 mg/100 g; magnesium and copper are present (Source: The Wealth of India: Raw Materials, Vol. VI: L-M, CSIR, New Delhi, 1998).

2. As we see the great nutritive value of Mahua it has actually numerous uses besides being used in preparation of liquor. However, Mahua is not intoxicant in itself as its direct consumption does not have any intoxicating effect. It becomes liquor only when it is fermented and other additions being made as in the case of some other food/ fruits like rice, grapes, jackfruit, sugarcane, banana, mango etc. In this context, it must be noted that the above items are not intoxicating in its original form. More importantly, Mahua flower has several other important uses. It is eaten raw or cooked/ baked in the form of cakes. Infact it serves as a staple food for the tribals in periods of cereal scarcity. It is a good fodder, which is relished by cattle and is also used by cattle feed industries in large quantities. A big cattle feed industry requires around 300 quintals of Mahua per month. Besides, it also has medicinal values. *They are regarded as cooling, tonic and demulcent* (Source: The Wealth of India: Raw Materials, Vol. VI: L-M, CSIR, New Delhi, 1998).

3. Alternative use of mahua flower such as in purification of toxic water containing hazardous chemical substances like mercury, copper, nitrate is also identified by research organization (from a research work undertaken by Vasundhara).

4. Thus, treating Mahua flower as intoxicant seems to be grossly illogical. It must be treated as other food items like rice, grapes, jackfruit, sugarcane, jaggery, banana, mango etc., which are otherwise also used in liquor making. So it is the liquor, which is intoxicant and not the raw material.

5. In this context, the liquor product of Mahua flower, which is locally called *Mahuli* should be treated as intoxicant and Mahua flower should be removed from the purview of Excise Act. Interestingly, the Excise Act actually imposes duty on production/ utilization of

produce in making liquor except only in the case of Mahua flower. Thus there is an inherent contradiction in the act itself. This is clearly against the spirit of NTFP policy, which has actually waived of all kinds of levies and permits on deregulated NTFPs.

6. In this context, it must also be noted that poor primary collectors of Mahua who are actually supposed to be benefited by the 2000 NTFP policy are not involved in commercial liquor making and sell most of it immediately after collection due to their cash starved situation. A part is kept for domestic consumption/ cattle feed and some of it is exchanged for salt, which meets their annual salt requirement. Thus logically itself, burden of excise duty should not fall upon sellers of raw Mahua flower rather should only be levied on production points where huge profits are being made, obviously not by the poor people.

7. Among all NTFPs, Mahua flower has been the most important one and is collected by all categories of primary collectors as it is available on private, common and forest land. This income of NTFP gatherers from mahua flower can be enhanced with the exemption of storage fee, transport fee and export fee (this is being discussed in detail in the following sections).

8. Further, this kind of initiative would also encourage the collectives/groups of women NTFP gatherers which are coming up at large scale in different parts of the state for undertaking collective trading of mahua flower through Self-help groups and Cooperatives which are otherwise feeling discouraged owing to so much restrictions.

How exemption of storage, export and transport fee would benefit primary collectors or their collective enterprises?

Prior to the promulgation of NTFP policy 2000, most of the primary collectors use to sell their produce in the village itself or in the nearest haat at a throwaway prices. But the policy change has encouraged rural communities to come forward to collectivise their individual efforts in the form of SHG/ Cooperative enterprise in several parts of the State. But owing to several kinds of fees, taxes and levies on Mahua, they have really not made much headway in terms of having an increased stake in the market in order to earn remunerative income. Since lucrative market of Mahua exists outside the State any enterprise need to establish access to such end markets in order to have better and sustain their organized efforts. The table below attempts to show the prospective gains the poor primary collectors would be able to get in the wake of relaxed and proactive policies.

Example of a 20 member enterprise from 20 households		Sale	
S.N.	Particulars	Within State	Outside State
a	Purchase Cost (avg Rs.5/kg)	50000	50000
b	Operational Cost (Rs.0.5/kg)	5000	5000
c	Management Cost (Rs. 0.5/kg)	5000	5000
d	Storage Fee	1000	1000
e	Transport Fee	1000	100
f	Export Fee	0	6000
g	External Transport	2000	8000
h	Sale + VAT (Total 14% of Sale)	11200	14000
I	Total Procurement Cost	75200	89100
j	Sale Price/ quintal	800	1000

k	Sale Amount	80000	100000
l	Surplus	4800	10900
	Gain per quintal	48	109
	Gain at an avg collection of 5 qtls. per family	240	545
	<i>In case of Exemption of Excise Fees</i>		
	Surplus	6800	18000
	Gain per quintal	68	180
	Gain at an avg collection of 5 qtls. per family	340	900
	% of additional gain	42	65
	<i>In case of Exemption of Excise Fees, Sales Tax & VAT</i>		
	Surplus	18000	32000
	Gain per quintal	180	320
	Gain at an avg collection of 5 qtls. per family	900	1600
	% of additional gain	275	194

The above table represents the case of a 20-member community based enterprise involved in collection and sale of Mahua covering an equal number of household. With suggested relaxations, the additional income from Mahua would increase between a range of 42-275% within the State and 65-194% if sold outside the State which would be a significant move towards poverty alleviation with very insignificant loss to the State exchequer as explained in the following section.

Impact on State Revenue

During the last three years (2002-03 to 2004-05) the state government has earned a total of 937.7 crore rupees as excise revenue out of which 123.43 crore is realized from Mahua flower (includes Out still consideration money and Utilization, Storage, Transport, Export fees). The share of excise revenue earned from Mahua flower to the total excise revenue earned is less than 15%. However revenue from storage fee, transport fee and export fee on Mahua flower only amounts to not more than 1% of the total excise revenue. The following table gives an overview of earning of excise revenue from Mahua flower in different years:

Period	Total Excise Revenue (in crores)	Revenue from Mahua (in crores)	% to total Excise Revenue	Storage, Transport and Export earned from Mahua (in crores)	% of fees to total Excise Revenue
2002-03	304.29	36.09	11.86	0.77	0.25
2003-04	236.08	41.43	12.71	2.08	0.87
2004-05	306.61	45.91	14.97	NA	NA

From the above table it is further clear that the amount earned from application of storage fee, export fee and transport fee forms a negligible part of the total excise revenue. Exemption of the above-mentioned fees particularly for SHGs, Cooperatives of NTFP gatherers' or any other organization of primary gatherers would lead to a direct enhancement in income of thousands of poor NTFP gatherer families between a range of Rs.350 – 1500 depending upon the place where it is sold (within or outside the State). This amount

becomes significant for them as they all belong to BPL category and their annual income is around Rs. 9000-10000 per annum. If average revenue from excise items is taken as 300 crores (on the basis of available information of last three years), the amount of revenue from storage, export and transport fee comes to the tune of 3 crores per annum which is miniscule. If at least KL pluckers families are taken as Mahua Flower collectors (obviously the number would be much more) there are a minimum of 500000 families in the State and an average additional gain of around Rs 700 per household accruing out of exemption of Mahua Flower would generate a total benefit of 35 core at a negligible investment of Rs. 3 crore. Such an initiative can be regarded as a significant rural development intervention where poor can access to considerable economic gain out of minor policy changes particularly benefiting huge tribal and dalit masses of the State.

Recommendations

Keeping in view the above-mentioned points, the following suggestions are being made for consideration:

- Mahua Flower shall cease to be considered as intoxicant and must be removed from the purview of Bihar and Orissa Excise Act, 1915 and should be exempted from all kinds of duties, levies and taxes for community based enterprises (list of proposed amendments in the Bihar and Orissa Excise Act, 1915 is attached as annexure).
- Complete removal of storage, export and transport fee on Mahua keeping in line with the NTFP (Procurement and Trade) Policy, 2000 for SHGs, Cooperatives or any other organisation of primary gatherers.
- Since huge potentiality of Mahua flower exists in making cattle feed, the State must come out with a policy encouraging community enterprises to take up cattle feed manufacturing which may also prevent diversion of Mahua in making liquor. Such a step would significantly contribute in the process of women empowerment. There are large numbers of milk cooperatives in the coastal regions of the State where Mahua trees are not found but members are highly interested in having Mahua as cattle feed as it is greatly relished by cattle. Community enterprises in Mahua dominated regions may find an assured market in these coastal regions with a supportive state policy in place.
- SHGs, Cooperatives and other community based enterprises involved in trading of Mahua should also be exempted from Sales Tax and Value Added Tax (VAT). In neighbouring state of Andhra Pradesh, government has taken similar initiative in case of Kendu Leaf where it has been exempted from VAT so that communities can reap greater benefit.

Annexure I

Amendment in provisions relating to Mahua Flower in ‘Bihar and Orissa Excise Act, 1915’

Following amendments should be made in the ‘Bihar and Orissa Excise Act, 1915’:

1. Deletion of **‘Mahua Flower’** from ‘intoxicant’ definition
2. Insertion of new definition: *‘Mobuli’*, *‘Self-Help Group’* (SHG) and *‘Co-operative’*:
3. Relaxation in Storage Quantum and Exemption from the **Storage fee, Export fee and Transport fee, where collective business on Mahua flower is undertaken by SHGs or Co-operatives of Primary NTFP Gatherers** for their own economic gain.

1. Deletion of Mahua Flower from the “intoxicant”:

Chapter 1, Section 2, (Clause 12-a) of Principal Excise Act, “Bihar and Orissa Excise Act, 1915” says that:

- “intoxicant” means any liquor or intoxicating drug and includes Mahua flower; [and molasses]

Amended definition:

- “intoxicant” means any liquor or intoxicating drug and includes *Mobuli*; [and molasses]

2. Insertion of new definitions:

In Chapter 1, Section-2 of Principal Act following definition can be inserted:

a. *‘Mobuli’* can be defined as follows:

- *“Mobuli”* means the liquor prepared from Mahua Flower after the produce is allowed to ferment and treated through a distillation process.

b. Self-Help Group:

- Any group formed/ promoted by the Non-Governmental Organizations or by the Government agencies for the socio-economic development of local people

c. Co-operative:

- As defined in the Orissa Self-Help Co-operative Act, 2001 or Orissa Cooperative Societies Act 1962

d. Co-operative Business

- **As Defined in the Orissa Self-Help Co-operative Act, 2001 or Orissa Cooperative Societies Act 1962**

In Chapter IV, under Section-19 of Principal Act following new paragraph can be inserted:

(j) State government or any authorized body as specified by the government may issue pass or certificate to the Co-operative Society or SHG or any organization of primary NTFP gatherers, for one year or for a period as specified by the government for storing, processing, transporting and selling of Mahua flower or by manufacturing different sweets, cattle feed in unfermented manner, for selling inside the state boundary, may on authorization, free of any fees and subjected to such terms and conditions of pass or permit as may be specified by the authorized body in the said authorization.

Amendment in the Rules framed under the Principal Act known as ‘Bihar and Orissa Excise Act, 1915’:

In exercise of the powers conferred by Section 89 of the Bihar and Orissa Excise Act, 1915, the State government has framed the rules, namely **Orissa Excise (Mahua Flower) Rules, 1976.**

The following sentence can be inserted in Section- 5 of Chapter II of Orissa Excise (Mahua Flower) Rules, 1976:

Provided that the fee for the permit issued under the sub-rule [1] shall not be payable by any Government establishment or any **SHG or Co-operative or any organization of primary NTFP gatherers to whom pass is issued by the Government or any authorized body as specified by the Government.**