

**NTFP PRICES AND STATE POLICY  
REVENUE vrs LIVELIHOOD CONCERNS**

**1997  
Manas Ranjan Mishra**

**©VASUNDHARA  
14/E, Gajapati Nagar  
Po: Sainik School  
Bhubaneswar, pin - 751 005**

## **NTFP PRICES AND STATE POLICY: REVENUE vrs LIVELIHOOD CONCERNS\***

**Manas Ranjan Mishra, Vasundhara**

### **Policy vrs Prices**

The man on a brand new motorcycle crossing the border check gate between Madhya Pradesh and Orissa is a very common sight. The sales tax on mobikes being much less in MP, many people in Sundargarh purchase them from Raigarh. Technically this may be illegal. However, the amount at stake is large enough to induce people to take the risk. A recent law in Delhi Govt intends to check a similar problem that exists on the Delhi-UP and Delhi-Haryana border.

Whether tax rates should be identical in all states is a matter of debate. It is possible to find some logic in a poor state like Orissa trying to get more out of the relatively richer people who purchase motorcycles, to spend it for the poor. However the argument holds less water when we see that the tax rates on bicycles is also lower in MP, inducing people in the border areas to purchase them from Raigarh. Bicycles, one is inclined to think, are now an item purchased more by the poorer sections of the society. The argument seems utterly ridiculous when seen in the light of the fact that the taxes and levies on Mohula (*Madhuca indica*) flower and Tamarind (*Tamarindus indicus*) are also lower in MP and in Bihar. Thus the prices obtained by the primary collector/producer of these commodities, mostly belonging to the poorest sections of the society, are lower in Orissa

Having higher taxes and duties on the output of the poorest of peoples does immense damage to their livelihoods. People very near to the border do smuggle their stuff to the nearby *Haats* on the other side of the border. But the risk is high. If caught these people may be beaten up and fined heavily. Many of them are able to take their produce to the other side only after paying regular grease money to the lawmen. There also are small-time traders who smuggle the output they collect from villagers. This they do under threat of arraignment or have to bear the cost of purchasing officials. This tends to keep the prices paid to the primary collectors/producer depressed. The people in the border villages may be more or less unaffected by the laws of the state. But as one moves away from the border into the state the prices reduce drastically.

Ranchi is, perhaps, the major centre of Mohula flower trade in the country. It's but natural that the price of the flower would be higher in areas nearer to Ranchi. Thus, even in a free market situation the price in South Bihar will be higher than the prices in Orissa. The transportation cost factor can explain a price differential of not more than 25 paise per kilo between Berenbasa in Bihar and Ekma in Orissa separated by a distance of less than 15 km. But it can not explain the price in Ekma being Rs 3.40 for the same quality of produce that sold at Rs 4.50 in Berenbasa in the same week. The explanation lies in the differences in the taxes and duties. This way the state is only opening the sluice gates of smuggling and corruption at the borders. Deeper inside the state it is seeking to reap profits by exacerbating the exploitation the tribals already suffer at the hands of unscrupulous traders. The prices obtained by the primary collector/producer stays at the rock bottom and there is a potential for getting large rewards for successful lawbreaking. The smuggler may be punished once in a while- when he is caught. The honest man is punished on every Haat day with lower prices for his produce.

### **State Policy and Revenue Earnings**

Does the Government get more revenue by charging higher taxes and duties. One is not sure. The Government uses the mechanism of monopoly leasing to enhance revenue earning from NTFPs. All major NTFPs apart from Mohula Flower are traded under this system. The Government may be having

---

\* Based on research carried out by Vasundhara and Vikalpa in Sundargarh and its neighbouring districts, in the year 1997.

other reasons for resorting to the system. But a major virtue of the system of monopoly leasing is the relative ease of revenue collection. It is definitely more convenient to collect revenue from a single, large, monopolistic buyer than from a multitude of small operators. Monopoly rights of collection to a single enterprise preclude, *de jure*, collection by other parties and reduce chances for actual collection and subsequent tax evasion by them.

It is easier to collect revenue from the monopolistic purchaser. But the quantum of revenue still depends on the quantum of produce collected. If the single buyer fails to purchase NTFPs in large quantities, revenue stays low. The single buyer may not be able to tap the full collection potential because of various reasons. Not having sufficient working capital is one reason. Large scale illicit trading can result if the price offered by local businessmen is significantly higher than that offered by the monopoly leaseholder. A third situation is one where the monopolist himself does not want to collect beyond a certain amount and from places relatively far from his storage/sale /processing centre. In all these situations local businessmen might come in to the picture.

Most major NTFPs have alternative markets apart from the monopolistic buyer. Mohula seed and Tamarind are two important examples. Both have monopolistic buyers, offering a lower price compared to the alternative market within Orissa and much lower than the market in the neighbouring states. The quantum of illicit trading is huge. Firstly because apart from the monopolistic buyer, there are buyers purchasing from the market but not coming under the tax net. Secondly because the higher price in neighbouring state has resulted in significant smuggling across the border. Thus it may be said that in case of these two items a mode of revenue collection dependent on a multitude of buyers operating in a free market environment may yield more than one which stresses on a single monopolistic buyer, operating in a restricted market. Many people have argued that pro-people policies can also yield higher revenue for the state. This seems to be true in the case of many NTFPs. However one is not sure whether pro-revenue policy can always be pro-people.

If the “ *no-monopoly, tax all businessmen* ” situation is the ideal, then the Mohula flower, trade is under a better market regime than many other NTFPs. But even then much has not been achieved. Mohula flower prices obtained by most villagers is less than reasonable. Less than reasonable because their brethren in the neighbouring states get much higher as the approach practised by their governments is less revenue oriented. The Govt. of MP might actually get more revenue than it does at present by piling taxes on Mohula flower and Tamarind. But it does not, and that is what results in better livelihoods for its people. If the two parties considered here are NTFPs collectors/ producers and a state holding revenue maximisation with the highest regard it is not always possible to find out a win-win situation. But if the state is one according top priority to the well being of its people, a win-win situation is very much possible. One thing is very clear. The extent to which the Govt. is willing to sacrifice people’s interest for the sake of revenue and *vice versa* decides the desirability of a given market set up.

### **Monopoly Purchase Rights for NTFPs and Rural Welfare**

If the objective of the welfare state is the well being of its denizens, the best way to provide it is to help them provide themselves. This requires a certain minimum economic freedom that allows them to obtain higher incomes. Experiences in rural marketing have shown that the door to rural prosperity lies in the proper marketing of rural produce. Governments in the past have striven to provide better prices for rural produce. Non timber forest produce being essentially a rural produce, it has been the stated objective of the Govt. to provide better prices to those who collect them.

To provide better prices for NTFPs the Orissa Govt. has taken various measures. Nationalisation of NTFPs was undertaken with the expressed objective of freeing the NTFP collectors from the clutches of private middlemen. Similar, though the mandate was more than NTFPs alone, was the objective behind the setting up of a Tribal Development Co-operative Corporation (TDCC for short) at the state level.

The way of handling NTFP marketing has, however been rather different from the other areas where Govt. has intervened in the market to provide better prices to rural people. A comparison with market interventions in the agricultural sector may be relevant here. In case of agricultural output, the Govt. fixes support prices allowing market forces free play in the market. It is expected that the business will pay the support price or more to the farmers. If the market price is lower, the people can always sell to the Govt at the support price. It's no use delving in to the operational success of the method. Operational success or failure hardly affects Govt. decisions, which are based more at the level of thought and planning.

In the case of NTFPs the Govt. uses a similar method but in a modified form. A minimum price is fixed by the Govt. but free play of market is denied. That the method of fixation of price may be faulty is another issue altogether. On the market mechanism side, it has been the Govt's constant preference that there have to be monopolistic buyers for NTFPs (Economists calls this monopsony) . This role of the monopolistic buyer is, as much as possible, sought be fulfilled fully owned Govt. agencies and co-operatives. However private traders and joint sector companies have also been involved.

If the objective of fixing minimum prices, nationalising NTFPs and bringing in to existence marketing organisations, was to free people from the clutches of the private traders, giving monopoly purchasing rights to single private businessmen negates the entire argument. A monopoly lease does not alter the status and objectives of a concern whose control lies in the hands of a private businessman. A wise Govt. does not believe in the necessity of freeing people from the clutches private traders and at the same time put them in to the clutches of a selected private trader. An honest Govt. would not feign that by giving monopoly purchasing rights it is freeing people from the clutches of the private trader.

The policy of giving monopoly leases may be utterly wrong. But without discussing it further let us discuss the essential operational aspects of a monopolistic buyer, in an environment with minimum prices fixed through a government-decided mechanism. Firstly the buyer has to pay at least the minimum price. Secondly to ensure that no one gets a lower price than the minimum price he must be willing to purchase all that is up for sale. Its no use fixing better minimum prices if people can not sell their output. Fixing the minimum wages at Rs. 100/- per day does not benefit the unemployed man. Thus its but natural to assume that any arrangement for monopolistic buying must include a condition that the monopolistic buyer has to purchase all that is up for sale. If the govt. has not imposed this condition on the monopolistic purchasers then its talk about minimum prices must be considered a mere eyewash, and its stated objectives of better prices for NTFP gatherers are doubtful. On the other hand if the Govt. has indeed imposed this condition, it must seek to ensure that it is not violated.

Examples from the field do suggest that the monopolistic purchasers are violating the norms prescribed to them by the Government. For instance in the areas of Orissa bordering Madhya Pradesh the collection of Sal seeds is not undertaken by the lease holders. Similarly Baheda fruit (*Terminalia bellerica*) is not collected in major areas of Sundargarh district by the monopoly lease holder. In fact, of the few areas visited by us there was none where Bahada is collected by the leaseholder. There a numerous cases where the monopolistic purchaser does collect the output, but at prices lower than those prescribed by the Government. There also are cases of unauthorised sub-leasing that violates the spirit of the leasing system. There would be no dearth of such examples if the Govt. tried to find them out for itself. But whether appropriate action will be taken or not shall depend on the basic assumptions regarding the role of the state in protecting and nurturing rural livelihoods, and as always a lot of political will.