

An Overview of the Past and Current NTFP Policy Environment in Orissa

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2001**

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AN OVERVIEW OF THE PAST AND CURRENT NTFP POLICY ENVIRONMENT IN ORISSA

1. NTFP POLICY AND ITS FUNCTIONING

1.0 Introduction: Ever since the British Raj had introduced its supposedly scientific “Forest management” system, the laws relating to forest administration had not recognised 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 maximisation objective of the State almost always did over-ride the economic interest of the poor gatherers who only figure as under-paid labour in the entire NTFP trade. The potential of NTFPs to give economic returns to the poor of the State remains grossly under-utilised.

These basic tenets guiding the NTFP policies had not changed even after a decade of the National Forest Policy that emphasise on tribals and local needs having the first charge over forests. Numerous Poverty Alleviation programmes launched by the succession of governments seek to raise the economic levels of vast masses below Poverty line; but always the *one* intervention that can directly dramatically impact the income levels of poor has been perennially neglected.

The NTFP resolution of the Govt. of Orissa dated 1ST March 2000 was a step taken by it towards empowerment of the forest dependent people. Though on the outset it seemed to be a resolution, which would have really given the people something to cheer about but as one delves deeper into it the reality dawns. In reality it seemed to be another ploy on the part of the state machinery to the forest dependent people for a ride. The following is an account of the NTFP policy environment as it was before the resolution and also a critical appreciation of the situation that is prevailing.

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 maximisation for the State is the major objective of Forest Management.
- The major characteristics of the Policy environment that were prevalent in Orissa relating to NTFP are:

1.1 Nationalisation of important NTFPs:

The Orissa Forest Produce (Control of Trade) Act, 1981 provided the scope for State Monopoly over certain forest products, which 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 nationalised. 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 labour. 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 yet been no attempts to share this profit with the primary collectors/growers or even to provide them with some basic facility. Nationalisation has in no way helped the Kendu leaves collectors or growers (CPNR, 1996).

1.2 Nationalisation of the non-Nationalised NTFP items:

Though *de jure* only three items i.e. Sal seeds, bamboo and Kendu leaf are specified as “Nationalised”, but the State had, 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 had been given to TDCC, OFDC and even private parties. It is surprising that after years of a thriving of State sanctioned monopoly trade in non-nationalised NTFPs, it was “discovered” almost a decade later that this monopoly trade was “illegal”.

To correct this illegal practice, there was instructions from the State Ministry to the PCCF on the 5th of March 1997 specifying that the monopoly leases for the non-Nationalised 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’ continued to operate as the only “authorised” traders in the NTFP trade.

Thus, the State controlled 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/ Labour Co-operative/ Gram Panchayats as procurement agents for NTFPs. However the involvement of grassroots level co-operatives and Gram Panchayat in NTFP trade had been completely ruled out by giving long-term State wide/division wise monopoly leases.

1.3 State administered prices of NTFPs:

The relevant Acts relating to NTFPs have given the responsibility of fixing administered prices of Forest Products for the State Government. For this an Advisory Committee is to function at State level for nationalised products and at the Revenue Development Commissioner (RDC) level for other forest products. These advisory committees are to have representation from the 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 to accept the recommended price.

The price fixation of other NTFPs have been decentralised from the RDCs' level to the District level. As per the relevant Acts [OFP(CT) Act¹, 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. The prices fixed by the state hold have little relevance in the absence of mechanisms to ensure that these prices are paid. In reality the primary collectors hardly receive the State administered prices.

1.4 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.

¹ 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".

TABLE 1.4(a) Collection of Sal seeds in the 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 ²	250	25	13,750	43,750	PRITI
1996	250	69	15,941	120,444	PRITI
1997 ³	120	40	18,000	69,501	PRITI
1998	43		6,450		

TABLE 1.4(b) Agents, Collection of Royalty and Income to the primary collectors

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 Privatisation	512	437,867	896,632	
Avg. Annual Loss	171	145,956	298,877	

Table 1.4(c) Loss due to Privatisation 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 above that privatisation did reduce 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 state government either. In terms of reduction in Royalty the Government has lost an estimated average amount of about 1.5 lakh rupees per annum for a three year period.

In case of Sal seeds, non-collection by the monopoly agents of this produce on many occasions have led the gatherers to give up collecting Sal seeds. Such situations must be taking a serious toll of rural livelihoods in Sal seed producing area and also in areas where other NTFPs are collected through a private monopolistic system. It is also adequately

² 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.

³ 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.

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 a 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 it has done nothing to see to it that the actual collections are enhanced.

1.5 Restrictions related to storage, transportation, processing and marketing:

The laws related to restriction on the amount of NTFP that can be stored by a person, whether collectors or growers. This varies from item to item. Mahua comes under the purview of the Excise laws and produces like KL and bamboo also have the restrictions that apply. The law also requires registration of growers of specified forest products whose production is in excess of the specified quantity. Similarly, for transporting NTFPs, transit permits issued by the forest department are still required for most products for their movements out of the state. 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/manufacturer 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. For example, it has been seen that even though legally a household can store up to 2 quintals of Mahua flowers for its own consumption, villagers have faced harassment by the local Excise officials and the licensed liquor brewers for being in possession of much lesser quantities.

1.6 The traditional status of NTFPs (Prior to the GoO resolution of March' 2000) with regards to a few other arrangements and systems of the state government should also be looked into to have a much more lucid picture of the double standards that had prevailed in the administrative and the forest management system of the state.

1.6.1 NTFP and Joint Forest Management:

Government of Orissa (GoO) has been encouraging villagers to protect Reserved Forests since 1988. The GoO issued a resolution in 1993 to facilitate Joint Forest Management (JFM) which stated that the 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. However this has no meaning with respect to the NTFP trade, 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 labour by the State/ Forest Department does not change even when local communities get accepted as co-managers of forestlands 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.**

1.6.2 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.

Following the Central Act, the GoO has enacted the Orissa Act for the State. 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 giving clear rights to Gram Sabha, space has been kept for involvement of higher order Panchayati Raj institutions instead, 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 this issue to the State urging the States to implement the State Act.

Over the last two years considerable pressure has build up 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 Ama 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 broom grass freely and tie up brooms in this era of "liberalisation" exposes the inconsistencies in the State government's policies. Despite several Workshops, discussion and debate, 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.

1.7 Overall Impact of the NTFP Policies in the past:

The overall impact of the policies and laws that were prevalent since the independence and till earlier this year (2000) are:

- i) ***Depression of prices received by the primary collectors*** for NTFPs, especially 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 utilisation 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 of the State has not been able to eliminate the exploitative traders, who used to 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:*** Organisations like TDCC, in spite of having monopoly procurements rights over many products, were neither 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 continues unabated 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 labour 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 was gravely compromised. The enormous possibilities of augmenting the income of the poorest remains 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 neighbouring population would also strengthen local stake in forest conservation and would help in sustainable forest resource management.

2. IMPORTANT NTFP ITEMS

2.1 KENDU LEAF

Kendu leave plucking is one of the largest source of livelihood for the poor in the Western and Central parts of the State (Balangir, 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 castes, especially women and children. 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. Assuming that it generates at an average 20 days of employment per HH, at least 5 lakh poor households (HH) in these districts are critically dependent on Kendu leaves collection, earning at an average Rs.580 per HH (1993-94) even at then prevalent 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.

Various studies on socio-economic profile of KL pluckers in Orissa indicate that primarily the poorest, especially women are involved in Kendu Leave plucking. In four villages studied in Balangir and Nuapada Districts, amongst 107 KL pluckers, women and girl children constituted 88% of the pluckers (Vasundhara, 1998) The same study found that average household (HH) earnings from KL leaves plucking ranged from Rs. 600/- annum to Rs. 1586/- annum. In Bhainsadadar village in Balangir district, the income per household averaged around Rs. 1200, and in case of landless households the income worked to Rs. 321 per capita (Vasundhara, 1998).

in another study by Nabakrishna Choudhary centre for development studies (1998), it was found that in two villages in Balangir and Angul districts, out of the total sample size of 147 HH, 51 HH derived 20-40% of their total household income from Kendu leaves collection. as per the study, KL collection accounted for more than 20% of the total income of the HH with an annual income below Rs. 5000/annum, more than 17% of the income of HHs having an income between Rs. 5000-10000/annum and more than 10% of income of households having income between Rs. 10000-rs. 15000/annum in these two villages.

2.1.1 Time line

1932	A book titled : “Roupya Patra” (silver leaf) was published by Late Mr. Sarangadhar Dash a socialist leader. This book highlighted the potential of KL for poverty elevation and limited control of government.
Pre-independence Period	Contractors / traders were given long term lease to collect the leaf from all over the ex-states areas including the (Private lands). The tenants did not even have any rights over the KL produced from their own land.
The independence Period	With the merger of the ex-States when the people were given the rights over the leaves produced over their own lands many petty traders came forward to trade in KL.
1949	<p>GOO passed “Kendu control and Distribution” order. The right of tenants over KL was restored. The immediate effect was the emergence of a large number of petty traders, who entered into the contacts with the individual tenants for the collection of KL.</p> <ul style="list-style-type: none">• Only licence holders were allowed to trade.• Total revenue collection Rs. 13,79,670.• The price of leaves from private land was 25% dearer than the leaves from Govt. land so that the rural and poor procurers would get a higher price.• 50% of the revenue was to be shared with the village panchayat.
1954	Total revenue collection Rs. 28,06,989.
1957	<p>An enquiry committee was set up to review the functioning of the 1949 Act. The Committee suggested the followings:</p> <ul style="list-style-type: none">• Control on KL ought to be continued• The rate of payment, for collection of KL from government and private lands should be fixed by ‘District Advisory Committee’.• Recruitment of adequate supervisory staff to ensure the wages of the pluckers is revised, in line with the rate fixation.• Total revenue collection Rs. 68,01628.
1961	The recommendation of the enquiry committee in 1957 led to a revision of the KL policy and enactment of the Orissa KL (Control of Trade) Act 1961. The thrust of this policy was on regulating the KL trade through a state monopoly.

- 1961 KL (Control of Trade) Act contains a provision which lays down that 50% of the net profit to the state from the KL trade shall be channelled to the Panchayat samities and Gram Panchayats as KL Grants for the purpose of development.
 - Advisory committee, for price fixing, to be appointed each year, 1/3 members of which were to be from amongst the KL growers.
 - Imposition of penalties on agents was allowed in the case of non-fulfilment of collection targets.
- 1964 KL workers Union initiated by the Viswanath Pandit (as the President and the main architect) together with Mr. Braja Kishor Das (as the General Secretary).
- 1965 KL workers of the region meet at Dhenkanal town hall.
- 1968 State conference of the KL pluckers, binders and other workers at Dhenkanal. Resolution passed for nationalisation of KL trade, abolition of private agents and operations through the state machinery.
- 1972 The lease tenure for KL traders / contractors for collecting leaf was over. The issue of “nationalisation” of KL trade was raised at various quarters.
- 1973 With Nandini Satapathy as the Chief Minister of the State, KL operations were nationalised.
- 1975 Declaration of Emergency, top office bearers of KLWU put behind bars, the activities of the Union comes to a grinding halt.
- 1977-78 Janata party forms government at the centre, Mr V. Pandit became the state chairman of Janata Party.
The then Chief Minister Mr. Nilamani Routray tried giving greater remuneration to the KL pluckers by increasing the cost of the leaves from 30 leaves / paise to 20 leaves / paise but did not succeed in doing so.
- 1980 State level conference of the KL Union at Rairakhol, Sambalpur. Charter of demands formulated.
- 1994 ‘Rasta Roko’ movement in the state 80, 000 women courted arrest. The demand was for 1 paise per leaf.
- 1999 KL pluckers forum formed

2.1.2 Regulations over KL 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 Nationalised 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 KL⁴ 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 activity.

One of the objectives of the Nationalisation 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 labour "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 Nationalised.

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 Nationalisation, 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 cores.

The royalty on KL received by the State Government varies from Rs. 12.71 cores in 1984-85 to Rs. 114.98 cores (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	16%

⁴ KL Kendu Leaves

as percentage of Sales turnover

Remuneration to KL pluckers as percentage of Royalty	30%
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(Source: A public interest pamphlet circulated by MAS, a human rights organisation)

The remuneration to KL workers per leaf has increased slowly from 0.17 paise/leaf in 1984-85 to 0.5 paise/leaf 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 from Kendu Leaves is primarily based on the labour and resources⁵ 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 ranging from 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 maximising 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 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 favour 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 labourers, without any rights on a Natural product whose extraction cannot be possible without their efforts. This Act enshrines revenue maximisation as the prime objective.

A comparison between the prices offered to the KL pluckers in the neighbouring 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 labour 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 KL trade is shared with the pluckers whose labour makes the production possible.

⁵ 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.

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 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.

2.1.3 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 are not necessarily based on the collection from those areas. 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 channelled to the bottom one-third of the population this would imply more than 140 days of subsistence per individual.

Table 2.1.3(a) 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. On 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.

2.1.4 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 even 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.

2.2 MAHUA FLOWER

The Flowers and Seeds of the Mahua species (*Bassia latifolia*, *Bassia longifolia* or *Madhuca indica*) are two of the most valuable NTFPs found in Indian forests. Both Mahua flowers and seeds have traditionally been collected and used in various forms for consumption. Mahua flowers are the most important minor forest produce from the viewpoint of the tribal people.

2.2.1 Use

The sugary flower of Mahua (70% sugar content) has been traditionally used as a cereal substitute especially during cereal scarcity months of the late summer to early autumn. Uptil very recent past, Mahua flowers used to constitute up to 80% of the staple diet in these months. Though on a decline even now local people, especially tribals, in the interior pockets of Bolangir and Nuapada, use Mahua flowers as food for a good number of months every season. Coupled with the decrease in demand of Mahua as food there has been a manifold increase in the demand for brewing of a country-made alcoholic liquor- Mahuli. The use of Mahua to prepare liquor is also ancient and brewing of Mahua flowers is an art known to most people, however the present excise restrictions do not allow household brewing of liquor. The major demand for Mahua flowers comes from Bihar and Maharashtra and also from other areas of the state.

There is a small demand for Mahua flowers to be used as cattle feed. Mahua flowers are considered good as cattle feed and this use is more prevalent mostly in the state of Bihar. Mahua flowers are supposed to be a must for giving to the cattle on Gamha Poornima, the day on which cattle (more specifically bullocks) are worshipped.

2.2.2 Mahua Flowers as “Forest Produce”

Strictly speaking Mahua flowers can hardly be termed as forest produce. Although Mahua Flower is classified by the Government as a “Minor Forest Produce”, more than 80% of it is produced on non-forest land. In both Bolangir and Nuapada, as in all other

places where Mahua trees are found, most of the Mahua trees are found in agricultural fields and uplands. There are not many trees in the forest and even the trees that are found are highly unproductive because of various reasons, the chief reason being smaller crown areas possible under forest conditions.

The classification of Mahua flowers as a minor forest produce subject to State regulations seem inappropriate as is the case with other such “forest produce” found primarily on private /non forest common lands such as Kendu Leaf, Tamarind and Char. The practice of imposing royalty over trees on private land was started in the British Period and has been continuing in independent India as well.

2.2.3 Time line of Mahua trade.

- 1981 - Trade of Mahua seed and flower is controlled by the Orissa Forest Produce (Control of Trade) Act.
- 1985 - Total Collection figure : 32960 Quintals.
- 1986 - Total Collection figure : 42139 Quintals.
- 1987 - Total Collection figure : 33938 Quintals.
- 1988 - Total Collection figure : 27527 Quintals.
- 1989 - Total Collection figure : 36538 Quintals.
- 1990 - Total Collection figure : 7134 Quintals.

- 1989-90 GoO gives TDCC exclusive rights to collect flowers.

- 1990-91 TDCC and UFPL both procure the produce. Minimum procurement price fixed at Rs.500 / Q by GoO.
Total Collection figure for 1991: 11314 Quintals.

- 1991 - Mahua trade was Nationalised. TDCC and OFDC appointed as collecting agents for purchase and sale of Mahua flower in 16 and 11 FDs respectively.
Minimum purchase price fixed at Rs. 3 / Kg.
Utkal Forest Products (a joint sector company) gets the state wide procurement rights for Mahua seed, Neem seed and Karanja seed.

1992 - Mahua flower ceases to be a forest product by definition and its trade is to be regulated by the Excise department.

Total Collection figure : 12197 Quintals.

2.2.4 Availability and Production

The collection season for Mahua flowers starts in late February and continues till mid April. The production of flowers is highly dependent on the precipitation pattern from February to April. Rains and hailstorms during the collection period or immediately before the collection season has adverse impact on the production of flowers. Much of the precipitation during this period is caused by cyclonic depressions in the Bay of Bengal. The rain is accompanied by moderate to strong winds and sometimes with hailstorms. This leads to premature shedding of flowers, poor quality of flowers (due to rotting) as well as damage to the canopy. All this lead to lower output and a poor quality. Scientific practices for enhancing production of Mahua trees are lacking. But traditional practices like girdling the stem at a height of about a foot from the ground is believed to better the yield and lead to timely shedding of flowers.

2.2.5 Method of Collection

Collection is done from early morning to forenoon. Before collection the land under the crown area of the tree is cleared of weeds and grass to ease collection. Sometimes controlled fire is used to clear the ground flora and leaf litter under the tree. Collection efficiencies depend on availability of trees that can be harvested as well as flower fall rate, which in turn depends on the crown area and season. The total yeald from one's own trees, depends upon both the number and quality of trees, the later being the single most important factor affecting the quantum of production.

2.2.6 Sharing of produce between Mahua tree-owners and collectors

Collection from trees owned by other people is a major source of Mahua flowers for the poorer people. The usual share of the tree owner is half of the total produce collected. The availability of other people's trees for collection is dependent on the number of trees held by households. Only households with very large tree holdings let out trees/ allow outsiders to collect. Most standard sized villages (more than 50 households) have at least a couple of households holding above 100 trees. Rarely some households own even more than a thousand Mahua trees. At the other extreme there are always a few households who quite often do not own even a single tree.

The case of Bolangir district

Bolangir is perhaps the most important producer of Mahua Flowers in the state. The annual reported production of Mahua Flowers in the district is around 150,000 quintals. However the actual production figures are way above the reported amount. This is because of:

- (a) Illicit brewing activity that draws its supply from unreported sources,
- (b) Unreported collection to evade royalty
- (c) Amount used for preparing liquor at the household level.
- (d) Amount used as food by humans and as cattle feed.

The production figure for the year 1994-95, the last year for which data was available for most of the NTFPs, was roughly 2 lakh quintals. If we assume that one-third of the total production goes unreported we get an estimate of actual production at 3 lakh Quintals. The value of the reported output at price fixed by the state Government (Rs 200 per qtl) amounts to Rs 4 crores (Rs 40 million). Similarly the estimated production amounts to Rs 6 crores. On the other hand at the average price (hovering around Rs 4 per kg) prevailing at the level of the villages the reported and estimated production stand at Rupees 8 crores and 12 crores respectively. Thus Mahua flowers as a source of income for the district as a whole is second only to Kendu Leaves.

2.2.7 Aspects Of The Market Set-up

Mahua is a state excise item and is subject to controls exercised by the Government under the Excise laws. Mahua flower is not procured under monopoly leasing system. There is no exclusive lease in any given area and control on collection and sale of the flowers is not exercised so much by the Forest department as by the Excise Department. On the other hand the Excise Department issues storage permits. Technically anyone can obtain a license by paying the required license fee that are very nominal, starting from Rs 1 per year for a license to store up to 5 quintals to Rs 2000 per year for a license to store unlimited quantity. The storage licenses for Mahua flowers are not as widespread as may be expected under such a liberal market access.

The most important market for Mahua flowers is Ranchi in Bihar. Madhya Pradesh and Maharashtra are also major destinations for Mahua Flowers from Orissa. Ranchi is the biggest market in terms of the sheer quantity of flowers handled but its importance stems more from its role as the node of the Mahua flowers traders cartel. Few of the local Mahua flower traders put it succinctly as “*Without permission from Ranchi the flowers would not even fall from the trees.*” The hold of the Ranchi based cartel over the Mahua flower trade in Orissa is complete. There are the usual reasons behind this. Mahua flower trade in Orissa is more restricted than in any other state. As usual the greater degree of Government control provides greater scope for corruption. High degree of corruption implies greater hold of existing players on the market and greater difficulty for new players to enter the market.

The price of Mahua flowers in Ranchi is the deciding factor behind the wholesale Mahua price in Orissa and at any given point of time the latter is usually Rs 200 per quintal less than the former. As the price of Mahua keeps increasing continuously after the first month of collection the price differential of Rs 200 at purchase time becomes greater by the time the flowers are finally delivered at Ranchi. For example the present lot collected at Rs 800 per quintal will be sold when the rate at Ranchi reaches Rs 1100 per quintal. This amounts to a gross margin of Rs 300 per quintal. After spending about Rs 100 per quintal towards transportation by lorry, Rs 35 towards storage losses and sales commission, Rs 40 towards various Government levies and Rs 25 towards sleaze money

to Government officials, about Rs100 is left as the sum total of storage charges, interest payments and profit. This amounts to a profit on sales ratio of approximately 10 %. But this is for the wholesale purchaser.

Table 2.2.7(a): Per quintal Expenditure on Mahua Flower storage and Transport

Item of Expenditure	Amount (Rupees)
Forest royalty	7.35
Storage License Fee(approx.)	0.50
Export Excise	32.00
Sub total 1	39.85
Commission to Selling Agent	3.00
Loss in storage ⁶ @ 4 kg/ctl, (Purchase price = Rs 700 per ctl)	28.00
Sub total 2	31.00
Transport Cost ⁷ (train)	52.00
Transport cost(lorry)	100.00
Approximate extra-legal payments to Government officials	25.50
Total Cost (Transport by Train)	126.85
Total Cost(Transport by Lorry)	174.85
Average Gross Profit Margin	300.00
Net Profit (Transport by Train)	173.15
Net Profit (Transport by Lorry)	125.15

The wholesale purchaser procures from small businessmen who in turn purchase from smaller wandering businessmen who directly collect from the villagers. It is this multiplicity of agents that leads to the maximum amount of loss to the primary collector. As one goes down this chain the collection amounts dealt by a given businessman goes down and as a necessity exploitation rate goes up. The degree of price-exploitation depends on the holding capacity of the people. As holding capacity goes up the price differential between Mahua flowers sold at the village Haat or to wandering businessmen and that sold in bulk in wholesale markets falls drastically.

Given the situation of indebtedness and liquidity problems the villagers capability to hold on to their Mahua stock is very limited. In the initial stages Mahua flower provides the sole NTFP income and Kendu Leaf money is yet to come in. This renders the villagers incapable of bargaining about the price. Hence the price at the primary collector's level is much lower than the price at the wholesale level. On the other hand towards the end of the season Mahua flowers are available at the village level only with the relatively better off people who have held on to their stocks. These people have greater bargaining power. Hence the ratio of village level price to wholesale price goes up.

⁶ The monetised value of loss in storage depends on the purchase price. For the given calculation the current price of Rs 8.00 per kg is used.

⁷ Transport cost by train includes Rs 5 per quintal per trip for transport to originating station by lorry and transport from destination station by lorry plus loading and unloading charges of Rs 1 per trip.

Table 2.2.7(B): A Typical Price Variation Series (1998)

	Price at Kantabanji (WP)	Village Level Price (VP)	VP/WP %	Potential profit from direct sale at Kantabanji
March to May	6	3.50	58.33	71.43 %
June to August	8	5.25	65.63	52.38%
September to October	9	7.00	77.78	28.58%

Source: Various Wholesale Traders, Kantabanji
(WP: Wholesale price)

2.3 MAHUA SEED AND OIL

Besides the flowers, the seeds of the Mahua tree are also a very important source of livelihood. Mahua oil is used for edible purposes by the tribal people as well as by other poor people. It's particularly relished in preparation of traditional rice cakes (Pitha) of various types. Although commonly considered to be inferior and inedible nowadays, Mahua oil has been used as an edible oil since Vedic times. New scientific research based on experiments on mice suggest that Mahua oil is alright apart from a small risk of temporary impotence that goes away on stopping its use.

Mahua seeds have been traditionally processed in Ghanis and Chappas (plank press) to obtain oil to be used as a cooking medium as well as a body oil. But the yield is low in the Chappa at around 20 % and improves to 25% to 30% in case of a Ghani. With the establishment of small mills with power expellers in rural areas much of the oil is now extracted in them. The yield from power expellers is from 34 to 37 per cent⁸. Thus there is an advantage of up to 40% more oil if one extracts oil in a mill rather than a Ghani. But a large number of people still use traditional methods which are considered to yield oil of better taste while taste of expeller oil is slightly bitter.

People having more than 5 to 10 kg of seeds usually get oil extracted at the Ghana or the Mill. No monetary fee is usually charged for the extraction but the Ghana / mill owner keeps the De oiled Cake (DOC). At a DOC yield rate of approximately 50% and a market price of Rs 1.50 per kg of DOC the Ghani / mill owner charges about Rs 0.75 paise per kg of seed. However people having only small quantities of Mahua seed (up to about 10 - 15 kg) usually exchange them for oil. The surplus Mahua seeds are sold in the market. But in most areas of Bolangir and Nuapada districts there is hardly much of a surplus and almost all the Mahua seeds produced within these two district are used in local oil making. The average price for whatever Mahua seed comes to the market hovers around Rs.5 to Rs. 9. The wholesale market at major centers in the region pays a price of from 9 rupees to Rs.11/Kg. UFPL has the lease for collecting Mahua seeds in Bolangir and had the same for Nuapada till last year. But the collections have always been poor both because of the low surplus as well as the very low price paid by UFPL which results in illegal trade and smuggling of seeds in to Madhya Pradesh by large and small traders as well as Mill and Ghani owners.

⁸ NV Bringi, Non Traditional Oilseeds of India, 1987

2.4 SAL SEED (SEED OF *Shorea robusta*)

2.4.1 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, not much opportunities for wage labour 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 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.

2.4.2 The Time line of Sal seed trade

- 1967 - Monopoly and long term lease given to Mr. J Lath on a royalty of Rs.2.50 / Ton.
- 1973-74 Orissa Forest Development Co-operation (OFDC) starts trading in Sal seed and collects the produce from areas of major production.
- 1981 - State Government gets the trade under its monopoly under the purview of the section 2(c) of Orissa Forest Produce (Control of Trade) Act, 1981. Total Production estimated at 1.5 lakh metric ton (MT).
- 1983 - Government of Orissa nationalises the Sal seed collection and Trading. Procurement handed over to OFDC and Tribal Development Co-operative Corporation (TDCC). Rate of royalty was fixed at Rs.300 / MT and the procurement price varied between was Rs. 1770 – 1375 / MT.
- 1984 - Rate of royalty fixed at Rs.450 / MT and collection price was Rs. 1810 / MT.
- 1985 - Rate of royalty fixed at Rs.750 / MT and collection price was Rs. 2200 / MT.
- 1986 - Rate of royalty fixed at Rs.525 / MT and collection price was Rs. 1925 / MT.
- 1987 - Rate of royalty fixed at Rs.465 / MT and collection price varied between Rs. 2000 - 1925 / MT.
- 1988 - Rate of royalty fixed at Rs.465 / MT and collection price was Rs. 1940 / MT.

- 1989 - The collection price was Rs. 1890 / MT.
- 1991 - OFDC was appointed the sole procuring agent and a total of 39897 MT of the produce was collected from around the state. OFDC was the sole procuring agent till 1994.
- 1992-94 OFDC is the procuring agent and an average of just about 215 MT was collected per annum.
- 1995 - Priti Oil Mills, Rampali was appointed as the sole procuring agent. There was a collection of 44 MT and the collection price at the village level was Rs. 125 / Quintal.
- 1996 - OFDC again gets the monopoly lease for procuring Sal seed in 27 forest divisions (FD). Minimum collection price was fixed at Rs.175 / Quintal and royalty at Rs 100 / MT.
- 1997 - Utkal Forest Products Limited (UFPL) was given the monopoly rights to collect Sal seeds from all over the state. The procurement price for the oil mills was fixed at Rs. 175 / Quintal.
- 1998 - OFDC and TDCC were the agents for collection in 21 and 6 FDs respectively. M/s Hanuman Vitamin Foods were the raw material procurers. The minimum collection price was stipulated to be Rs.175 / Quintal.
- 1999 - OFDC, TDCC and MARKFED were the agents for collection in 11,11 and 5 FDs respectively. M/s Hanuman Vitamin Foods and Priti Oil Mills were the raw material procurers. The minimum collection price was stipulated to be Rs.300 / Quintal and the GoO charged a royalty of Rs.250 / MT.

Keeping this in view the Government Nationalised 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.

2.4.3 The present scenario

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'. The interesting part is that for one year the price had been raised to Rs 250 per Quintal. 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 high 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. 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 from marketing support by TRIFED, the organisation created to safeguard the economic interests of the tribals. If this additional 1000 rupees could be paid to the primary collectors, they would have got a price of Rs 2.75 per kg.

3.0 CASE STUDIES OF NTFP BASED ENTERPRISES

3.1 MAHUA STORAGE ENTERPRISE

3.1.1 Many village based self-help Groups and DWCRA groups have taken up storage and marketing of Mahua flowers. In Boden Block of Nuapada ten women's groups have started storing Mahua. They are being facilitated by Lokdrusti an NGO working in the region. Another NGO working in Nuapada, VISWAS is starting Mahua flower based enterprise in three villages. VIKALPA, a NGO based at Kantabanji has also been taking this up in their operational area. Value addition through storage of Mahua flowers was also a great success in Sundergarh district where various DWCRA groups directly supported by the DRDA and various self help groups facilitated by NGOs took this up.

Apart from the profit obtained by eliminating middlemen and directly selling at a higher level, co-operative storage can also reap the benefit from the price increase cycle. However, even without a co-operative primary collectors can reap the benefits of price increase through storage at individual level. But formation of co-operatives can help in getting permission to store as well as ensuring greater availability of storage facilities.

3.1.2 Case Study: Maharajore Women's Self-Help Group (SHG)

Maharajore Women's Self Help Group was initiated in 1994 with the help of Lokdrusti, a voluntary organisation operating in the southern parts of Nuapada district. It has a

membership of 73 women. Maharajore is a medium sized village in Boden development block of Nuapada district. The village is just about 30 kms from Khariar which is a major market center for NTFPs. However due to the low bargaining power of the villagers the small Mahua flower traders operating in the region are able to force exploitative prices on the primary collectors. With interest free financial advance from Lokdrusti the SHG intervened in the market in April 1998 when traders were procuring Mahua flowers at Rs 3.50 per kg. The SHG purchased 20 qtl of Mahua at Rs 400 per qtl. This gave the primary collectors an immediate advantage of Rs 50 per quintal and also freedom from the malpractice of the traders. In July 1998, after 3 months of storage it sold its entire stock for Rs 11000 at Rs 550 per qtl with a profit of Rs.150 per quintal and a gross profit of Rs. 3000.

The price of Mahua flowers is at its lowest in April and May. Gatherers are compelled to sell Mahua during this period as there is not much other income flowing in (bulk of the Kendu leaf income comes after the end of May). Typically the price of Mahua in April - May is one to three rupees less than the price in June - July. Under such a situation storing Mahua Flowers for two months and selling them after June can yield sizeable returns to the primary collector.

The main constraints to people being able to take advantage of the price fluctuation, is their inability to hold on to their stock given their hand to mouth existence. Availability of consumption credit from outside at this point of time can help at this juncture. Lack of access to formal credit and absence of alternative small credit mechanisms is a real problem. There is a need to accelerate efforts for thrift and credit societies / self-help Groups at the village level and link them up with enterprise to take up storage and marketing of Mahua.

Given the maximum price of about Rs 400 per qtl and Rs 600 per qtl in April and June respectively, storage of Mahua Flower from April to June can yield a gross profit of Rs 200 per quintal. At such profit levels Mahua flower storage can be profitable even at interest rates of 10% per month. The table below depicts the rate of profit that can be obtained from storing Mahua flowers for a period of two months at various rates of interest and price appreciation.

Table 3.1(A): Mahua Storage Enterprise- Profit potential from storage for two months (*Profit figures in italics*)

Interest Rate(%)		Per quintal Price Appreciation (in Rupees)			
Annual	Monthly	50	100	150	200
18	1.5	38	88	138	188
24	2.0	22	72	122	172
30	2.5	2	52	102	152
60	5.0	-38	12	62	112
120	10.0	-118	-68	-18	32

3.1.3 Case study: Gadiajore Women's Group

Gadiajore women's group was initiated in 1996. Since its inception, the group has received active support from the village Forest Protection Committee (FPC). Due to the very low price paid by local traders, the committee decided to start Mahua seed collection, oil extraction and sale. In 1997, the women's group collected 10 quintals of Mahua seed and extracted oil at the local mill. The capital for the enterprise came from a Rs. 2000 loan from the FPC and Rs.2000 from its own funds. Rs. 2000 worth of Mahua seed was procured on credit.

A total of 26 tins of oil was extracted at the average rate of 1 tin (approximately 15 kg) of oil per 40 kg of seed. Of this 12 tins went towards settlement of the loan and the credit purchase dues. Of the remaining amount 8 tins worth approximately Rs 3600 is in stock. The rest has been sold / loaned / and exchanged to yield a gross value of approximately Rs. 3500. The group has thus earned a profit of more than Rs. 5000 from a purchase turnover of Rs. 8000. The group has earned more than 125% in terms of return on capital employed and 250% in terms of return on owner's capital.

3.2 BROOM GRASS PROCESSING ENTERPRISE,

3.2.1 Case Study: Women's Groups in Thuamul Rampur

About four years ago Orissa police cracked down heavily on Women's groups at two places. At both the places the women's groups were accused of binding broom grass in to broomsticks rather than selling it raw to the Tribal Development Co-operative Corporation of Orissa (TDCC). TDCC had a monopolistic right to purchase Broom Grass all over the state and tying of brooms by village women was said to be a violation of their right.

The stocks of the women's groups were seized and some of it was destroyed and some people who had encouraged the women were arrested. The suppression of the right to process broom grass to broomsticks has since then been a symbol of the disempowerment of tribals and infringement of tribal rights of using forests they live in and live with. Kaniguma and two other Mahila Samiti in the Thuamul Rampur block, Kalahandi were part of this struggle to get the rights to process broom grass.

Encouraged by the District Rural Development Agency and Antyodaya, an NGO working in the Kalahandi district, women's groups in three Panchayats of the Thuamul Rampur block started processing broom grass in to brooms. The price paid by TDCC for broom grass was very low but brooms could sell for a good price in the consumer market.

The first police action came in 1994 but a compromise was reached and the TDCC purchased all the stocks from the women's groups. The second and more virulent police action came in 1995. But police repression has not killed the spirit of the women and broom making continues albeit at a small scale.

3.2.2 The economies of a broom grass enterprise.

Broom grass is available in the forest in the winter. Collection for the entire year has to be made in this brief period and is stored to be processed afterwards. It is the women who almost always collect broom grass and the average collection is from 4 to 5 kg of broom grass per day. One kg of broom grass can make at least three brooms. Thus it takes about 7.5 labour days to collect enough material for 100 brooms (100 brooms is used as the unit to simplify calculations). It takes about 5 complete labour days to bind 100 brooms and half a labour day to collect enough Siali fibre for binding 100 brooms. But the brooms can also be bound with plastic strings and such brooms fetch a much higher price. Average return for labour spent on broom grass collection and binding taken together ranges from about Rs 38.50 to Rs 56 per day. The total return on the entire labour spent on producing 100 brooms ranges from 500 to 700 Rupees. A single woman can collect enough broom grass for 300 brooms and thus processing only the broom grass collected by her she can get additional income of 1500 to 2800 rupees per annum. The average return per day varies from about Rs. 38 to Rs. 56 and this is two to three times the village level wage rate and 28% to 87 % higher than the minimum wage rate fixed by the Government. The table below depicts the costs of and benefit from the production of broomsticks.

TABLE 3.2 (A) INCOME PER LABOUR DAY IN BROOM GRASS PROCESSING ENTERPRISE

	Expenditure and Income Heads	Cost per 100 brooms	
		Siali bound	Plastic bound
A	Collection of broom grass (in labour days)	7.5	7.5
B	Collecting Siali Fibre for binding (labour days)	0.5	
C	Binding Brooms (labour days)	5.0	5.0
D	Total Labour days per 100 brooms	13.0	12.5
E	Cost of Plastic fibre for 100 brooms(Rs)		100
F	Sale Price per 100 brooms	500	800
G	Return for labour per 100 brooms(F - E) in Rupees	500	700
H	Return for labour per day (G / D) in Rupees	38.50	56.00

4.0 RECENT POLICY CHANGES

4.1 Introduction: The primary collectors are subject to various forms of exploitation by virtue of their weak bargaining position in the trading process. The environment of monopoly trade without any supportive mechanisms to ensure that the monopoly operators honor the commitment to pay the prices fixed by the state, leaves the primary collectors very vulnerable. The “illegal”/ petty traders who operate have to do so at considerable risks and increased transaction costs, which leads to depressed prices.

One of the major features of the Monopoly trade is that the monopoly holder is bound to buy all NTFP. However the very low procurement figures in the recent past by Utkal Forest Products indicates that they buy only a fraction of the available amount. It was also seen that since UFP had the State wide lease but did not have the network or the working capital to be able to procure all the produce available. Low procurement by the leaseholder led to an atmosphere of uncertainty with regards to the availability of market for the NTFPs collected by the primary collectors. Uncertainty with regards to availability of buyers for the various products was a major reason that had discouraged villagers from collecting NTFPs. Non-payment and delayed payment of wages has always been another major deterrent. Sal seeds collection had especially suffered in this atmosphere.

Most of the petty traders operating give out loans/ advances to primary collectors. This is one area of exploitation. Absence of legal competitors in the market and access of villagers to small credit poses are the two most important constraints from the primary collectors' perspectives. There also exist rampant exploitative procedures in weights and measures that are practised by the traders against the gullible primary collectors.

4.2 NTFP POLICY CHANGES

Policy changes for NTFPs in the direction of allowing free trade of forest produce, encouraging local level processing to create employment and incomes at local level were always a necessity. State Monopolies depress prices hence should always be opposed. The following Policy changes would be the two most pertinent steps towards empowering the forest dependent poor.

4.2.1 Ensuring Free-trade and Minimum Support Price

Free trade for all NTFPs except the currently nationalised NTFPs (KL, bamboo and Sal seeds) should be allowed; and these should be taken out of state regulation. The primary collectors should have the right to collect, process and market NTFPs freely. The government should work out a system of minimum support price. The minimum support price (MSP) should be based on the principle of incremental margin working backward from the actual market price, as followed by Girijan Co-operative Corporation in Andhra Pradesh. Liberalising the NTFP trade and taking steps in the direction of conferring ownership rights over 60 NTFP items to Gram Sabhas was an important step taken recently by the state government. Changes in the NTFP Policy had been long over-due. The new policy is a step in the process of addressing some of the major provisions of the Central Act (Extension of Panchayati Raj to Scheduled Areas).

4.2.2 The following were a few important and pro-poor steps taken by the GoO as demonstrated its new NTFP policy resolution released on 31st March '2000:

1. Demonstrating a strong political will to make a shift in the objective of NTFP management from state revenue maximisation to that of sustainable rural livelihoods.

2. Recognising the necessity of transferring ownership rights over minor Forest Produces (MFP) from the Forest Department to the Gram Sabhas/ Gram Panchayat.
3. Deciding to do away with monopoly trading rights which used to benefit only a small group of traders at a huge cost to millions of tribals and dalits.

4.2.3 NTFP Policy Objectives: Gatherers' Interest

Though the recent policy resolution is a step in the right direction, it suffers from several limitations. It is of urgent importance that these be addressed immediately, to ensure meaningful gains to the forest dependent poor. The basic purpose of any NTFP policy should be to ensure better economic returns to the primary gatherers on a sustainable basis. Two concrete steps that are required for this are:

- ❑ Enable people's organisations to play a major role in its trade, processing and marketing.
- ❑ Create mechanisms to ensure Minimum Support Price to the primary gatherers.

The resolution fails to address these issues though they are critical to ensure a minimum level of income to NTFP gatherers. The Policy only talks about minimum procurement price, and not of a minimum support price. Budgetary provisions to finance losses (if any), as well as enabling institutional mechanisms have to be created for securing Minimum Support Price.

Some of the specific concerns relating to the policy resolution are:

1. **NTFP Vs. MFPS:** A superfluous distinction between MFP and NTFP has been created by the bureaucracy to retain control over revenue-generating NTFPs. The 60 items that have been handed over to Gram-Sabhas are "low-value" NTFPs. Of these the people collect only 5 to 6 items on a significant scale. Most of the items put in the annexure B provide major livelihood support to the primary gatherers.

This superficial distinction between Annexure-A and Annexure-B will only help in the re-appearance of exploitative monopoly traders in the NTFP trade in one or the other guise. This would also defeat the basic intents of the Policy. The concerns of the forest dependent poor and the peoples' organisations were paid heed to by the state administration when the Chief Minister of the state announced that the eight items in Annexure-B have been included with the 60 under Annexure-A. This meant that the rights over all tree-based oil-seeds were transferred to the Gram-Sabhas.

2. **NTFPs in Reserved Forests and Protected Areas:** Gram Panchyats/ Gram Sabhas have been denied ownership rights over NTFPs from reserve forest areas. Again customary rights of natural inhabitants of areas coming under Wild Life Sanctuaries

and National Parks have been totally ignored. There is no rationale for restricting NTFP/ MFP gathering from Protected Areas

The resolution mentions that Gram Panchayats would not be able to lease out NTFPs from Reserved Forests (RFs), but does not specify if the Forest Department would have the rights to give procurement rights for NTFPs in RFs. It needs to be clarified immediately, that the Forest Department would also not have rights to give out any leases for NTFP/ MFP procurement/ collection in RFs

NTFP gatherers should be given the rights over NTFPs in all forest areas, and RFs should not be kept out of the purview of rights of gram-sabhas. Other States in India (U.P, AP, etc.) have granted ownership rights over MFPs to Gram Sabhas also in Reserve Forest areas.

3. **Nationalised NTFPs:** The resolution is silent about Bamboo, Kendu leaves and Sal seeds, presently nationalised NTFPs. These have been kept outside the purview of the resolution in the pretext that well-laid down policies exist for these. As a consequence of these "well-laid-down policies" all major solvent extraction plants in the state have been closed down, sal seed prices have been depressed for years and collection fallen down drastically from over a lakh metric ton to less than 10,000 M.Ts. Kendu Leaf pluckers in Orissa also get lower wages/ remuneration as compared to other states, despite our leaves being of better quality.

Kendu Leaves: Kendu Leaves (KL) collection is an important source of livelihood for about 20 lakh gatherers in the State. A majority of the KL pluckers are women, and most subsist below the official poverty line. Major parts of the profits from the KL trade are retained by the State at the cost of fair incomes to the poorest of the State's citizens. KL activity offers enormous potential for rural development in the State, esp. in the most backward areas. Maintenance of status-quo for KL trade, defeats the livelihood and welfare objectives of this Policy.

In the neighbouring state M.P. all profits from KL trade are being ploughed back to KL pluckers through their primary co-operatives. In Orissa, KL pluckers have been demanding rights over KL, and at least a fair share in the profits of the trade. This has been a major source of resentments amongst the poor in Western Orissa. We would urge you to immediately set up a high-powered committee to look into the KL issue in a time-bound manner and also initiate a consultation process on this in the State.

All NTFP items including Kendu leaves, Sal seeds and bamboo should be treated as MFPs and the ownership rights over these produces should be handed over to Primary gatherers and the Gram-sabhas. In the interim stage at the most all the profit earned in the Kendu leave trade should go back to the pluckers.

4. **Excessive Govt. Control:** The resolution has provisions for excessive departmental control over NTFP trade. Provisions such as target-fixation etc. are against the spirit of free-trade. Also reasonable control with DFOs for ensuring ecological

sustainability can give “unreasonable powers” in their hands that are more likely to be misused against village co-operatives. Village institutions/Gram Panchayats that are already involved in forest protection/ Gram Panchayats should take the responsibility of ensuring sustainable harvest of NTFPs.

5. **Lease-barred NTFPs:** The lease-barred NTFP items, such as Tassar Cocoons, Sal leaves, are critical livelihood sources for poor, and steps need to be taken for sustainable harvest of these items. Lac, an important NTFP item, does not have a mention in the Policy. Again, in this context, there can be a strong role of the village level institutions in managing forests on a sustainable basis and ensuring sustainable harvest of NTFP items.

5.0 Recommendations

5.1 Studies at the village level clearly establish the importance of NTFP in the local rural economy and the need to address issues relating to rights and access of poor to marginal common lands and State forestlands. The poor, having no or little agricultural land/ other assets, depend heavily on forests and encroached uplands for sustenance and survival. NTFP collection is a major economic activity that constitutes a significant part of their insignificant below- poverty line incomes. **Contribution of income from NTFPs to the total income of the poorest households ranges from 15% to 50 % and above.** Thus issues of rights to access of forests and forest products and incomes from forest products are issues of basic sustenance for these people.

Any rural development intervention to be effective would need to address some of the basic structural problems relating to land distribution, land rights, access to natural resources esp. forests and marginalisation of access of weaker sections to resources, markets and development programmes.

It is of immense importance to address the issue of right to livelihood for these forest dependent men and women; and ease out all the structural constraints that restrict their access to forest products and their markets. Unless these basic issues are addressed development investments can yield very little lasting results.

5.2 KL Policies: Directions for Future:

The Government of Orissa should give primacy to the welfare aspects of KL production and trade and relegate revenue objectives to the secondary position. KL trade is an easy opportunity where by making certain easy policy changes, the GOO can ensure the direct welfare of millions of Orissa's poor. As a basic principle, the Government should accept the Welfare of the Kendu leaf pluckers as the primary goal of the Kendu leave procurement and trade Policy. The first priority should be to increase the flow of income to the KL pluckers. The primary mechanisms for sharing the surplus generated from the KL trade with the primary producers can be through increase in price for the leaf and ploughing back of profits as bonus to the collectors. A system similar to that in Madhya Pradesh could be adopted in Orissa with a bonus sharing system with the KL pluckers -

the net profit from the KL trade should be shared as bonus with the KL pluckers. The bonus can be given on the basis of the collection figures available from the cards of the KL pluckers. Over the long-run, cooperatives of primary pluckers should be organised and these should gradually start managing the KL processing and trade operation.

The Government should also ensure payment of purchase price on time - modifications required in the financial systems (a present the working advance provided by the OFDC ltd. Reaches the KL Wing 5-6 months after the KL collection season is over) should be worked out. Group Insurance for KL pluckers on the lines of MP and AP should be instituted.

5.3 Recommendations on various NTFPs

5.3.1 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.

5.3.2 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.

5.3.3 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.

5.4 Some recommendations to address the shortcomings of the new NTFP resolution are:

- ❑ All NTFP items from all forest areas should be brought under the control of Gram Sabha/ Gram Panchayats. There should be no royalty over NTFP items.
- ❑ Village institutions and cooperatives should be encouraged to take up NTFP procurement and processing. This should be supported by enabling policies and proactive steps.
- ❑ Mechanisms for ensuring Minimum Support Price should be created.
- ❑ A high powered committee should look at the issue of maximising gains to KL pluckers and should come up with specific recommendations within three months time.