

**POTENTIAL OF KENDU LEAVE
COLLECTION IN POVERTY ALLEVIATION
IN ORISSA – AN APPROACH PAPER**

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POTENTIAL OF KENDU LEAVE COLLECTION IN POVERTY ALLEVIATION IN ORISSA - AN APPROACH PAPER

Kendu leaves¹ plucking is one of the most important sources of livelihood for the poor in the Western and Central parts of Orissa (Balangir, Sambalpur, Kalahandi, parts of Koraput, Angul, Sundergarh, Keonjhar and Phulbani districts). It generates, at an average, more than one crore mandays of employment during the lean summer months for the lakhs of poor tribals and Scheduled castes, especially women and children. During the summer months, in the absence of other employment sources, it is one of the few sources of liquid cash to the poor in the Kendu leaves collection areas.

1. DEPENDENCE OF THE POOR ON KL PLUCKING

Socio-economic profile of KL pluckers as reflected in various studies indicates that it is primarily the poorest, specially women, SCs and STs who are involved in Kendu Leave plucking. In four villages studied in Balangir and Nuapada Districts, from a sample of 107 KL pluckers, it was found that **women, including girl child constituted 88% of the pluckers** (Vasundhara, 1998). The same study found that average household (hh) earnings from KL leaves plucking ranges from **Rs. 600/- annum to Rs. 1586/- annum** which assumes greater significance given that most collectors are below poverty line. In another study by Nabakrishna Choudhary Centre for Development studies, 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.

If the contribution of income from KL leave plucking is related to the economic status of the household, the dependence of the poor become even more startling. The two village study by NCCDS reveals that KL collection accounts for more than **20%** of the total income of the hh having an annual income below Rs. 5000/annum, more than **17%** of hhs with income between Rs. 5000-10000 and more than **10%** of income of households having income between Rs. 10000-Rs. 15000.

An assessment of average income from KL from Hh plucking in comparison with the average income per HH from paddy (based on production) was made in Bhainsadadar village, Balangir District (Vasundhara, 1998). The results are as follows:

Name of village	Category of hh	HH size (av.)	Value of paddy produced	Income from KL plucking	Income/c apita	Income of KL as a % of value of paddy produced
Bhainsad adar	LL	4	0	1,284	321	NA
	Marginal farmers	5.4	1,644	1,584	293	96%
	Small	5.7	3,520	1,339	234	38%

¹ Kendu Leaves (KL), called as Kendu leaves/ Timru leaves are the leaves of *Diospyrus melanoxylon* used as leaves to wrap bidis. Orissa is one of the largest Kendu leaves producing states. Kendu Leaves is one of the most important revenue earning forest products in Orissa. While for the state/ Government of Orissa, KL trade signifies crores to the State exchequer; for the poor in some of the most backward areas of Orissa, Kendu Leaves signifies one of the most important sources on income during the critical summer season.

farmers						
Medium Farmers	6	6,900	1,391	231	20%	

Based on the average earnings to KL plucking Hh from various sources, a mean income of Rs. 1000/- per household per annum can be assumed. Considering that Rs. 32.51 crores was paid as collection cost to KL pluckers in 1997-98, at least **3 lakhs Households i.e. no less than 15 lakhs persons are dependent on KL collection for 10% to 40% of their income in the State of Orissa.** The maximum collection of KL is from the poorest areas of the Western and Central Orissa where over 80% of the population is below the Official poverty line. The socio-economic profile of pluckers further highlights that the poorest in the most backward parts, esp. in the KBK (Kalahandi, Balangir and Koraput) districts of Orissa depend largely on KL income. KBK districts have been drawing special development funds given the concern for socio-economic conditions in these drought-stricken districts. Interventions for augmenting incomes of primary gatherers from NTFPs have received little attention. It is ironic that while most development interventions search for ways to reach the poorest, one of the simplest and most direct ways of reaching the poorest and augmenting their incomes remains unexplored. Kendu leaves collection and trade is viewed more as revenue generating activity for the State Government while the enormous welfare potential remains grossly under-utilized.

II. INCOME TO THE GOVERNMENT OF ORISSA FROM KENDU LEAF TRADE

Kendu leaf trade is a very important source of non-tax revenue for the State Government and Kendu leaf control and trade seems to be primarily driven by revenue objectives. From 1973, Kendu leaf collection and trade was nationalised through a notification under the Kendu Leaves (control of Trade) Act, 1961. One of the objectives of nationalisation was elimination of private traders from the KL trade in order to reduce the exploitation of the KL pluckers as well as to maximise the Revenue to the State. The existing system has ensured retaining of the surplus from the Kendu leaf trade by the State Government in form of royalty, while adequate steps to pass on the surplus from the trade to the Kendu leaf pluckers have not been taken.

The total turnover of KL trade in Orissa is in the range of Rs. 150 crores annually. There is no budgetary support for the Kendu leaf production and marketing process. The production cost is met through a Work Advance provided by the OFDC Ltd. The cost of production includes the remuneration paid to the Kendu leaf pluckers, the wages to temporary workers employed for binding, grading, bagging, supervision etc. The details of turnover and cost of production are given in Annexure I.

The **royalty** to the State Government from Kendu leaves has ranged from **Rs. 47.61 crores to Rs. 122.79 crores in the last eight years. The total royalty earned by the State Government in the last eight years amounts to approximately Rs. 600 crores.** The details of approximate royalty figures is given in Annexure I. The royalty from KL is quite substantial in quantity as well as the percentage of total turnover of the KL trade. The graph below demonstrates the share of the Royalty to the State Government in the total business turnover. It also shows the wages/remuneration paid to the KL pluckers in comparison to the turnover and the Royalty to the State Government.

It can be seen from Annexure I that the share of KL pluckers (wages paid to them for KL pluckers), numbering some 10-15 lakhs, ranges from only **9.98% to 68%** of the Royalty charged by the Government. In other words, it means that in the production process of K.L., for **every**

Rupee paid to the Primary producers (i.e. the Kendu leave pluckers), the State obtains a royalty of Rs 1.50/- (1993-94) to Rs. 9.00/- (1989-90). At an average, since 1989-90, the ratio has been Rs. 3.00 as royalty for every rupee paid to Kendu leave pluckers. This assumes significance in view of the poor socio-economic status of the majority of the Kendu leave pluckers and shows that there is a huge potential of improving their income through increasing the purchase price of Kendu leaves as well as working out of mechanisms for sharing the huge royalty with them through various mechanisms.

COMPARISON WITH OTHER KENDU LEAVE PRODUCING STATES

With a view to highlight the potential of KL production for alleviation of poverty of the poor, a comparison was carried out between the KL Policy of the major KL producing states with the intention to compare their impact on the welfare of the KL pluckers. The main findings are as follows :

i) A comparison between the prices offered to the KL pluckers in these States of Madhya Pradesh, AP and Orissa **shows that Orissa offers the lowest price for Kendu leaves to its KL pluckers.** This is inspite of the fact that the **Orissa leaves are** supposed to be of the best quality and fetch the maximum prices in the market. Also, in Orissa the whole KL production and marketing totally controlled by the State Government, providing the best opportunity of passing on the benefits of the Kendu leave trade to the pluckers. (Vasundhara, 1997)

Comparative purchase price of KL in Orissa, MP and AP

YEAR	MP	ORISSA	AP
1990-91	50	38	NA
1991-92	50	50	NA
1992-93	50	50	NA
1993-94	60	50	65
1994-95	60	50	65
1995-96	60	50	90
1997-98	70	58	95

The share of the payments to KL pluckers in the total turnover of the KL trade in the State of MP and AP has been consistently higher than in Orissa- this reflects the lower purchase price of KL leaves in Orissa as well as the additional processing done in Orissa.

Year	Share of KL pluckers in MP	Share of KL pluckers in Orissa	Share of KL pluckers in AP
1989-90	16%	7.98%	NA
1990-91	61%	15.55%	NA
1991-92	38%	19.17%	NA
1992-93	39%	20.83%	NA
1993-	49%	18.75%	44%

94			
1994-95	42%	17.16%	36%
1995-96	41%	27.71%	49%
1996-97	46%	23.40%	50%

ii) Madhya Pradesh also has a system of sharing the revenue from KL trade with the KL pluckers. MP shares the part of the royalty as bonus with the KL pluckers. Recently, the MP Govt. has taken a decision to plough back 100% of net profit generated from the KL trade as bonus to the KL pluckers. This is over and above the fact that the KL purchase price from the pluckers is much higher in both MP and AP as compared to Orissa.

iii) Apart from the sharing of royalty, both AP and MP provide many facilities to the KL pluckers including group insurance schemes. The schemes envisages a payment of Rs. 3000/- in case of natural death and Rs. 6000/- in case of accidental death to the nominee of the deceased.

iv) The maximum delay in payments to the KL pluckers in MP does not exceed one month whereas in Orissa, sometimes the payments of KL pluckers are delayed by more than three to four months. This has a grave implication for the cash availability to KL collectors during the lean summer months when KL collection is one of the most important sources of income for such families.

The Kendu leaf policies in Orissa has been thus particularly insensitive to the welfare and well being of the KL pluckers, who are the poorest of the poor of this backward state. It has been an opportunity lost - a direct means of improving the incomes and the livelihood of the poorest tribals, SCs and women has been overlooked.

POTENTIAL FOR POVERTY ALLEVIATION AND WELFARE OF KL PLUCKERS

The massive surplus generated from the KL trade, if shared equitably with the lakhs of poor who are involved in KL plucking, would directly lead to poverty alleviation and improvement of their livelihoods. **Even if 50% of the royalty (surplus) generated from the Kendu leaves as of now is shared with the pluckers, it would, on an average lead to an additional income of Rs. 1000 to Rs. 1500/- per annum per HH.** A detailed analysis for the Balangir KL division (Annexure II) shows that sharing of 50% of royalty would increase the total earnings of an average HH from KL plucking **upto Rs. 3000/- per annum**, more than what most of these Hh earn from agriculture. Considering that almost all the families involved in KL collection are below the poverty line, this additional income assumes great importance for their livelihood. **The importance of this additional direct income (over Rs. 30 crores) for the rural poor can be understood by the fact that to generate the same amount of income through IRDP investment, an amount of approximately Rs. 200 crores will have to be invested (assuming that all the investments are successful and there are no leakages of funds).**

The importance of the additional income for the poor in the lean summer months cannot be overemphasised. Since most of these Hh have to avail of informal usurious credit in these months for both consumption and agriculture input purposes at rates ranging from 100% -200% per annum, the actual opportunity cost of this additional income is actually doubled i.e. an additional

income of Rs. 1500/- from KL collection in the summer translates to an actual cost of more than Rs. 3000/-. It also implies that the delay in payment of Kendu leave wages is criminal in terms of its impact on the livelihood of the poor. In fact, mortgaging of KL cards for obtaining informal credit seems to be a common practice in certain areas.

Apart from sharing the surplus from the KL trade to the primary pluckers through increase in purchase price and/or bonus, the Government can take many other steps to improve the lot of KL workers. The Group Insurance for KL pluckers as followed in MP can be adopted in Orissa. Part of the income from KL plucking can be saved by the pluckers through forming SHGs of the KL pluckers - this would help them in avoiding credit from moneylenders at a high interest. The payments to pluckers should be made weekly with no delay.

It is tragic that GOO has never given importance to the the welfare aspects of Kendu leaves and has concentrated only on increasing its revenue to the exclusion of everything else. This has led to a situation where a democratic Government seems to be exploiting the most vulnerable section of its population for monetary profits. The fact that the purchase prices are lowest in Orissa as compared to other states and there is no mechanism for sharing the profits from KL trade with the primary producers speaks volumes about the neglect of the poor by the Government. One can only compare the Rs. 30/- per tonne royalty on bauxite with the royalty of more than Rs. 12000/ tonne (averaged) on Kendu leaves. The royalty rates on KL are ridiculously high from any business sense. In fact, if considered as a business, **the rate of returns on KL trade for the GOO is on an average more than 1000%** - this rate of return is at the cost of the major factor of production - labour, both the KL pluckers and the seasonal workers. It makes both social and political sense to share part of these massive profits with the primary producers, specially when they are the most disempowered and poorest of the state citizens.

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 the only opportunity where by making certain easy policy changes, the GOO can ensure the direct welfare of millions of Orissa's poor.

SUGGESTIONS

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 would 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 would be through wage increase and through sharing of profits as bonus to the collectors. **Shri Vaidyanath Mishra commision had advocated the increase of purchase price of KL leaves to 1 paise per leave. This needs to be given immediate attention.**

i) A system similar to that in Madhya Pradesh should 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.

To work out the modalities of sharing of Royalty/net profit, a Study Team/Commission should be set up to look into the systems being followed by the other State (specially MP). The Commission could also look into these other aspects of KL trade and suggest ways to achieve the objective of Welfare maximisation for the KL pluckers.

ii) The Government should 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.

iii) Group Insurance for KL pluckers on the lines of MP and AP should be instituted.

iv) Mechanisms for linking quality of KL leaves with purchase prices should be explored. Possible local institutional arrangements to improve the quality of KL produced through various arrangements such as contracting out bush cutting to KL pluckers associations, VSS etc., linking bonus to Phad wise realisation of sales etc. should be explored.

v) Other welfare measures for KL pluckers and seasonal workers needs to be worked out.

vi) Possibilities of co-operativisation at Primary collectors level should be explored.

vii) Integrating purchase of some other NTFPs with KL collection to improve the overall utility of the infrastructure can be explored.

KL Collection is an economic activity which directly benefits the poorest in the State; urgent and immediate steps are required to ensure that the poorest get their fair share in the surplus from this trade.

References :

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2. A comparable study of KL procurement and marketing systems in MP and Orissa, Vasundhara, 1997
3. Non timber forest products and rural livelihoods - a Study in Balangir and Nuapada Districts, Vasundhara, 1998
4. Procurement and marketing of Kendu leaves in Orissa : A study of economic deprivation and benefits to Primary Collectors - R. M. Mallick, Nabakrishna Choudhary Centre for Development studies.

IMPACT OF KENDU LEAF POLICY OF THE GOVERNMENT OF ORISSA ON THE LIVELIHOOD OF THE RURAL POOR OF THE STATE

PROFILE OF KENDU LEAF PLUCKERS IN ORISSA

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was found that **women, including girl child constituted 88% of the pluckers** (94) (Vasundhara, 1998)

Socioeconomic status of KL Pluckers (NCCDS, Bhubaneswar) - illustrative information from two villages in Balangir and Angul Districts

#n o.	Annual Income/hh (Rs.)	No. of KL plucking Hh	Percentage of total Hh	SC Hh	ST Hh	OC Hh
1	Below Rs.10000	95	64.6%	19	49	
2	Rs.10000-15000	33	22.4%	2	16	23
3	Rs.15000-20000	11	7.5%	1	2	15
4	> Rs. 20000	8	5.4%	3	5	8
		147	100%	22	70	51

Majority of KL pluckers are women belonging to the poorest sections of SC/ST population of the of the most backward areas of Orissa i.e. the Western Orissa and KBK districts.

DEPENDENCE OF THE RURAL POOR ON KENDU LEAF COLLECTION

A study carried out by Vasundhara in Balangir District found that average Household (HH) earnings from KL leaves plucking ranges from **Rs. 600/- annum to Rs. 1586/- annum.**

KL collection accounts for more than **20%** of the total income of the HH having an annual income below Rs. 5000/annum, more than **17%** of Hh with income between Rs. 5000-10000 and more than **10%** of income of Hh having income between Rs. 10000-Rs. 15000. Out of the total sample size of 147 Hh, **51 Hh** derived **20-40%** of their income from Kendu leaves collection. (NCCDS, Bhubaneswar)

Per capita income from K.L. collection in the sample Hh averaged at Rs. **321** in Banamal, Balangir District and Rs. **236** at Hatianali, Angul District. Income per worker (persons actually engaged in KL collection) is Rs. **644** in Banamal and Rs. **597** in Hatianali. (NCCDS, Bhubaneswar)

Based on the average earnings to KL plucking Hh from various sources, a mean income of Rs. 1000/- per HH per annum can be assumed. As Rs. 32.51 crores was paid as collection cost to KL pluckers in 1997-98, at least 3 lakhs Households i.e no less than 15 lakhs persons are dependent on KL collection for 10% to 40% of their income in the State of Orissa.

The total annual remuneration to the KL pluckers ranges from Rs. 12 crores to Rs. 32 crores in the last 7-8 years.

STATE TRADING IN KENDU LEAVES

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 total turnover of KL trade in Orissa is in the range of Rs. 150 crores annually.

The royalty to the State Government from Kendu leaves has ranged from Rs.47.61 crores to Rs. 122.79 crores in the last eight years. The total royalty earned by the State Government in the last eight years amounts to approximately Rs. 598 crores.

I KENDU LEAF COLLECTORS IN ORISSA ARE :

**THE POOREST OF THE RURAL POOR
MAJORITY ARE SC/ST
MAJORITY ARE WOMEN**

II THEY DEPEND ON KL COLLECTION TO THE EXTENT OF

**10-40% OF THEIR TOTAL INCOME FROM ALL SOURCES
INCOME UPTO RS. 1500 AND MORE PER HH PER ANNUM
CRITICAL SOURCE OF LIQUID CASH IN MOST DIFFICULT SEASON OF SUMMER
FOR THE POOR**

**III KENDU LEAF TRADE IN ORISSA IS CARRIED OUT BY THE STATE
GOVERNMENT WITH THE COLLECTION, PROCESSING AND
STORAGE BY KENDU LEAF WING AND THE MARKETING BY OFDC
LTD.**

**IV GOVERNMENT GETS A ROYALTY (GROSS PROFITS) OF APPROXIMATELY
40-50% OF THE TOTAL TURNOVER OF KL TRADE.**

**V IN COMPARISON, SHARE OF KL PLUCKERS RANGES FROM 7-27% OF THE
TOTAL TURNOVER OF KL TRADE.**

**SHARE OF KL PLUCKERS (WAGES PAID TO THEM FOR KL PLUCKERS), NUMBERING
SOME 10-15 LAKHS, RANGES FROM ONLY 9.98% TO 68% OF THE ROYALTY
CHARGED BY THE GOVERNMENT. IN OTHER WORDS, IT MEANS THAT IN THE
PRODUCTION PROCESS OF K.L., FOR EVERY RUPEE PAID TO THE PRIMARY
PRODUCERS (I.E. THE KENDU LEAF PLUCKERS), THE STATE APPROPRIATES A
ROYALTY OF RS 1.50/- (1993-94) TO RS.9.00/- (1989-90).**

Procurement and marketing of Kendu leaves in Orissa : A study of economic deprivation

and benefits to Primary Collectors - R. M. Mallick, Nabakrishna Choudhary Centre for Development studies

Study area :

1. Banamal, Patnagarh Kendu Leaf Division, Khaparakol Block, Balangir District
2. Hatianali, Chhendipada Block, Angul District

Major Findings

1. KL collection accounts for more than **20%** of the total income of the HH having an annual income below Rs. 5000/annum, more than **17%** of Hh with income between Rs. 5000-10000 and more than **10%** of income of Hh having income between Rs. 10000-Rs. 15000.
2. Out of the total sample size of 147 Hh, **51 Hh** derived **20-40%** of their income from Kendu leaves collection.
3. Per capita income from K.L. collection in the sample Hh averaged at Rs. **321** in Banamal and Rs. **236** at Hatianali. Income per worker (persons actually engaged in KL collection) is Rs. **644** in Banamal and Rs. **597** in Hatianali.

An analysis of the Government figure related to KL revenues in 1993-94 is given below to illustrate this:

(a) Expenditure on Kendu leaves:

- | | | |
|---|----------|-------------------------------|
| <i>(i) Remuneration to K.l.pluckers
(mostly SC/ST & Women)</i> | - | <i>Rs.27.47 crores</i> |
| <i>(ii) Other expenditures
including Establishment cost
and commission to OFDC</i> | - | <i>Rs.58.20</i> |

Rs.75.67 crores

(b) Sales ***Rs.146.51 crores***

***(c) Net Profit to
Govt. (Given as royalty)*** ***Rs. 72.84 crores***

The procurement & wages to primary collector per quintal works out to Rs.551.66 whereas the royalty taken by State is Rs.1468.61 per quintal - 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 whopping 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)

<i>Royalty as a percentage of Sales turnover</i>	<i>54%</i>
<i>Remuneration to KL pluckers as percentage of sales turnover</i>	<i>16%</i>
<i>Remuneration to KL pluckers as percentage of Royalty</i>	<i>30%</i>

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

Thus the GOO runs the whole process of KL production, processing and marketing in a very business like manner, whose main objective (as laid down in law) is to maximise the Revenue (profits) to the GOO. It can also be concluded that the financial investment made by the GOO in KL Business is almost nil or minimal.

