

NTEFP

Enterprise and Forest Governance

Andhra Pradesh, Madhya Pradesh and Orissa

Mahua

(*Madhuca latifolia*)

Mahua (*Madhuca indica* syn. *Bassia latifolia*) is a prominent multipurpose Indian forest tree, not because it may possess valuable timber - it is hardly ever cut for this purpose - but because of its delicious and nutritive flowers. It is considered to be one of the most useful trees in the tribal belt of Central India for cultural and economic reasons. Mahua flowers are used as ready currency in some places, where they are sold to provide income for essential food items on a regular basis during the collection season. More than 75% of the tribal population is engaged in collection of mahua flower. Collection of flowers is done on both revenue and forest lands mostly by women and children. The estimated amount of mahua collected is 85,000 tons out of a potential 4,90,000 tons. Mahua collection provides 28,600 person years of employment out of a potential of 1,63,000 person years. On average, annual household consumption of fresh mahua flowers is 150 kg, worth Rs 750, and consumption of dried mahua flowers is 50 kg, worth Rs 750; whilst sales of flowers amount to 350 kg, worth Rs 3500. Thus, mahua brings benefits of about Rs 5000 to each family every year.

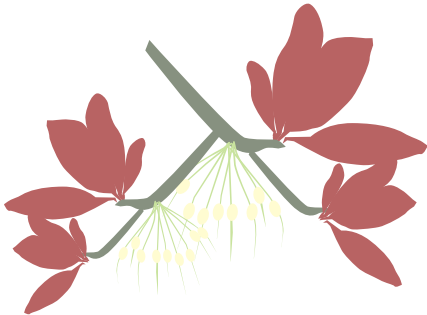


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Mahua (Madhuca latifolia)



Strengths

- Community conserved species and secured tenure rights of each tree mostly outside forest area
- Production increases with age and girth of the tree.
- High nutritional and cultural value
- Provides ready income of Rs. 60-70 per head per day of collection
- High demand in domestic market

Weaknesses

- Storage problems
- Low remuneration to collectors
- Collectors end up paying high price
- Lack of financial support

Opportunities

- Liberalization of mahua trade under Forest Rights Act
- High value products could be developed by further value addition
- Government support in marketing has started

Threats

- Unsustainable harvesting
- Distress selling
- Further value addition may suppress tribal culture
- Considered as an intoxicant and therefore storage and transport regulated
- Wide fluctuation in price

Issues



Collection: Mahua flowers are hand picked from the forest floor, which is sometimes bushy and inaccessible. Therefore, for the convenience of collection, the forest floors are set on fire so that the floor becomes charred and the white flowers are clearly visible. But if the fire is not controlled it can become a forest fire which destroys much biodiversity.

Post Harvest Treatment: Post harvest treatment of mahua involves cleaning, grading drying and storing. However, due to lack of knowledge of proper techniques, the collectors resort to traditional methods and do not grade flowers based on quality parameters. Also drying is done under unhygienic conditions and the flowers are often not thoroughly dried, which results in accumulation of moisture such that the quality of the whole collection deteriorates.

Storage: Almost 30% of all the mahua collected is spoiled due to lack of proper storage facilities. Mahua has a hygroscopic tendency and gathers moisture, especially during the monsoon, when moisture percolates from earthen floors and roofs

Processing: Almost all the mahua collected is used for production of liquor, which is brewed following traditional methods. Existing processing practices mean that those flowers which are unfit for human consumption are sold at a throwaway price for liquor production. The nutritive and medicinal value of mahua are considerable and many high value products like mahua kismis, jams etc have been developed but enterprises based on these products have not yet developed.

Pricing and Trading: One of the major challenges in the mahua trade is “distress selling”. The lack of sufficient storage space and need for money forces people to sell a large part of what they seasonally gather, even though they know that within a few months they will need to go to the local traders, who usually double the price at the time of selling and also act as moneylenders, to procure more mahua. These traders also provide a credit period of 90 days to outside parties, who procure from them in bulk. This “two way credit system” requires huge investment and therefore discourages any long term market involvement by local SHGs. The fluctuation in the procurement rates of mahua is under the indirect influence of the traders. Prices are high when the flowering starts to prompt the collectors. However, by the time the flowers reach the market, the prices have dropped. Since, mahua in some regions is used as currency (barter trade), collectors do not receive the real value of the flowers.

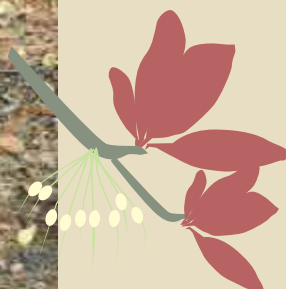
Taxation: In comparison to agriculture products where no taxation is levied, there are several taxes levied on mahua: 12% sales tax, 2% Mandi tax, 3% interstate transportation tax, 4% VAT and 14% tax on finished product. This is irrespective of whether the enterprise is at SHG level or at large trader level. The taxation policy on mahua requires revision, keeping in mind the operational scale and the use. To encourage resource conservation a forest development cess could be more applicable than sales tax.

Transportation: Although not required in Madhya Pradesh, neighbouring states still require a Transit Pass for mahua, so free trade is not always possible.

Capacity Building: The panchayat has the right to procure and trade in mahua but it requires proper capacity building for sustainable harvesting, processing and marketing, in order to operate as an effective enterprise.

Microfinance: As mentioned above, trading in mahua requires huge investment and therefore it is necessary to establish a “Mahua Bank” at village level, with provision of initial finance from the government. At present the lack of such credit facilities encourages distress selling and discourages any group from establishing a mahua based enterprise.

Policy and Governance: Though the ownership rights of mahua has been transferred to the Panchayat under PESA, 1996 and Forest Rights Act, 2006, there are still restrictions on its free trade by the Excise Department (in Orissa) and the Forest Department. The panchayat has the right to establish the minimum procurement pricing, but it is still largely under the influence of traders. Lack of proper facilities for processing, storage, finance and marketing are the major enterprise governance issue which need to be addressed.



Action Points

- ▶ Establishment of a “Mahua Bank” to provide microcredit to the mahua gatherers to avoid distress selling, to enable proper storage of mahua at the village level, and to regulate the pricing mechanism under the panchayat rather than under the influence of traders
- ▶ Capacity building of the panchayat members and collectors for enterprise development as per the provisions of Forest Rights Act
- ▶ Formation of a consortium of the MFP Federations, forest corporations, TRIFED, Tribal Welfare Department/ TDCC, panchayats, the Rural Development Department, NABARD/ cooperative banks, and scientific bodies, in order to spearhead at district level the assistance to panchayats regarding
 - ▶ product development, storage, microcredit and trading of mahua based produce
 - ▶ Amendment of the Excise Act (in Orissa) and forest policies regarding the regulation of mahua in tune with the Forest Rights Act
 - ▶ The Mandi tax on mahua should be applicable in places wherever mahua is traded in mandis, and should not be applicable if it is procured directly from collectors
 - ▶ Exemption from sales tax and VAT
 - ▶ Forest Development Cess could be applicable and could be used for large scale plantation
 - ▶ Panchayat should be able to collect tax directly
 - ▶ Developing a common Transit Code for interstate transportation of mahua
 - ▶ High end Mahua alcoholic and non alcoholic beverages can be prepared for the export market

Introduction

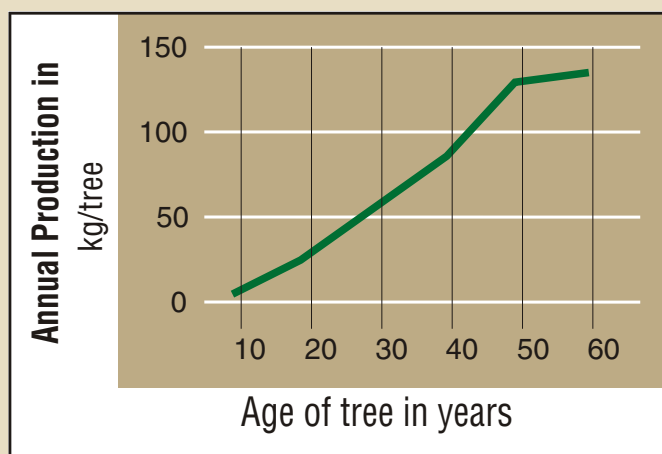
Mahua has a special status among NTFPs as it is linked to the tribal livelihood systems in different ways. Apart from meeting food and other requirements, it is also an important source of seasonal income. Its flowers are used to brew country liquor which is very popular in the tribal areas of the country. The tree has religious and aesthetic value in tribal culture. Mahua flowers and seeds, which have medicinal and nutritional properties, are collected and dried. One single mature tree can provide an income of about Rs. 1500 from its flowers and seeds, in addition to various other tangible and intangible benefits.

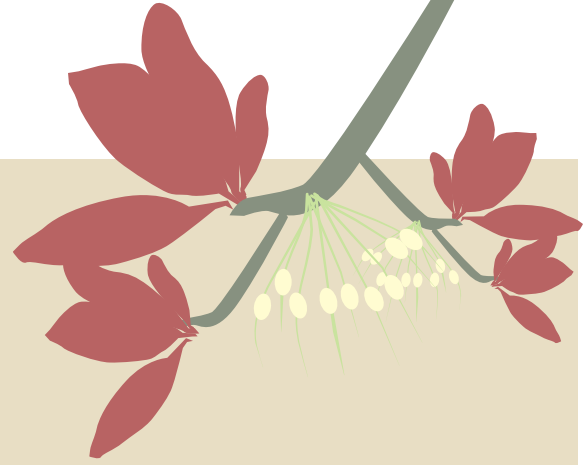
Mahua provides livelihood security to poor households who collect it both for self consumption and for sale: the income is used to purchase daily household items. However in most tribal areas, mahua gatherers rarely get the true value of produce, which they usually barter for daily grocery items. Lack of sufficient storage facilities and lack of money force the collectors of Orissa and Madhya Pradesh to sell a large part of what

collection

The estimated national production of mahua is .85 million MT, out of production potential of 4.9 million MT. During the production season the collectors sell mahua flowers on a daily basis, after preliminary drying, to meet their daily needs. Average trade volume of mahua flowers in Madhya Pradesh is around 5,730 MT, 2,100 MT in Orissa and Andhra Pradesh produces about 13,706 quintals of mahua flowers (worth Rs 8.4 million) and 6,188 quintals of mahua seeds (worth Rs 6.5 million): both are procured by the Girijan Cooperative Corporation (GCC), the official procurement agency.

On average, each person can collect about 70 kg of dry flowers in a good flowering season. Flowering occurs over 4 to 6 weeks (March to May). However, the collection period is for 15-20 days, when maximum flowering takes place. Mahua yield increases with the girth and age of the tree (see figures 1 and 2): average yield is 50.756 kg/tree.





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Contribution of mahua to the rural economy

The income from mahua varies from Rs 1,000 to Rs 1,200 per household, which requires 15-20 days of hard work. In the states of Orissa and Madhya Pradesh, mahua collection is done in a scattered manner. Women and children are largely involved in collection of mahua. They repay their credit money by selling mahua flowers and seeds.

In Orissa on average, each family collects about five to six quintals of mahua flowers per season, which contributes up to 30% of their annual cash income. It is estimated that over five million people are dependent on mahua for a significant proportion of their income. In Andhra Pradesh the GCC buys mahua for just Rs. 6/kg.

In all three states studied, mahua is generally bartered for daily grocery items, whose value is much more [do you mean less?] than the actual value of mahua traded.

Mahua collection and trade provides 28,600 person years of employment out of a potential 1,63,000 person years.

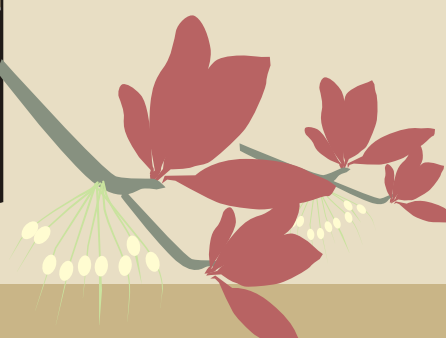
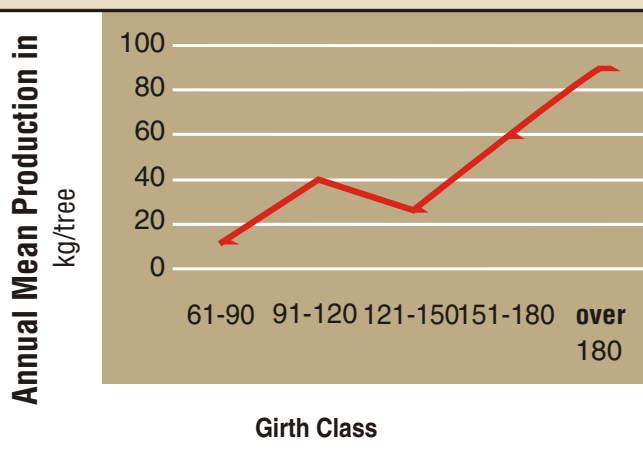
Policy regulating mahua trade and hurdles to trade promotion

Mahua is a nonnationalized item in Andhra Pradesh, Madhya Pradesh and Orissa, however each of these states has different policies governing its trade. In Orissa, although mahua is kept under the control of Gram Panchayats as per the NTFP policy of 2000, it is still not a freely tradable item because of its classification as an intoxicant by the Bihar and Orissa Excise Act, 1915. In Andhra Pradesh it is under the monopoly of the GCC. In Madhya Pradesh mahua is a freely tradable item, free from any excise duty.

Taxation: Despite being a freely tradable item in Madhya Pradesh, 2% Mandi Tax is imposed on mahua, even though it is hardly sold in mandis which are far from villages, so the collectors are forced to sell it to the local grocery shops. Furthermore, a 12% sales tax is imposed on Mahua within M.P., while it is 3% outside M.P.

In Orissa 4% VAT is charged on the flowers and 14% on the finished product. This gives the neighbouring states like Bihar and Chhattisgarh an advantage over Orissa and Madhya Pradesh, as taxes and duties on mahua in the former states are lower. This affects the livelihoods of the primary collectors badly and provides incentives for smuggling in border areas.

These taxes have restricted community access to better markets within as well as outside the state.



Trade restrictions: The Orissa NTFP policy of 2000 transferred the ownership right of mahua to the Gram Panchayats, but as per the Orissa Excise Act, 1915 it is still under the regulation of the Forest Department and the state Excise Department, which prohibits its free trade. It has an intoxicating effect only when it is fermented to produce liquor (Mohuli), yet in Orissa the mahua flower has been termed as an intoxicant and is accordingly regulated and taxed.

As per the Orissa Excise Act, 1951 the storage of mahua flower by a person or a family has been restricted to about one quintal in the off season and five quintals during the season (March to May) in scheduled areas and one quintal in other areas.

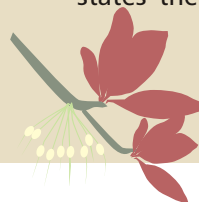
Removal of this restriction can have a positive impact on the mahua-based enterprises as in case of Madhya Pradesh, where there has been a major increase in mahua liquor production since the state government lifted the restriction of maximum 5 litres storage of mahua liquor per family. Local people feel the removal of this

restriction is a supportive policy as it provides employment opportunity consumption of mahua is part of tribal tradition through it may create some social problems.

Until 2007, mahua was traded from MP and Orissa to Bihar in bulk. However, recently the Government of Bihar banned the entry of mahua to Bihar. This action was taken at the request of women's groups, who cited social problems arising from consumption of mahua liquor.

Transit Permit: Though as per the Orissa NTFP policy (2000), neither the Forest Department nor the state require a transit permit for interstate or intrastate trade, the Excise Department does levy a transit fee for the transportation of mahua.

In Madhya Pradesh the transit permit for interstate trade has been removed. In other states the mandatory transit permit creates



Other Governance Issues

Improper Weighing

One of the ways of exploitation by middlemen is that they use faulty measuring balance to weight mahua flowers, which allows them to approx. 200 g each time it is weighted and at the end they gain 2-4 kg of extra material for which no prices are paid to the collectors.

Distress selling

In A. P., the GCC procures mahua at Rs.6/kg however, if paid by minimum wage rate the price should be Rs. 7.15/ kg. In many cases the amount earned by collectors in one day is less than the minimum wage stipulated by the government, and sometimes the collectors do not even get the lower rates as they are exploited by local traders who use a barter system rather than cash payment. This phenomenon of distress selling is common in most mahua producing states where, out of the total mahua collected, 60% is consumed and 40% is sold to the local grocery in exchange of food. The latter may be either by barter or a monetized exchange; the exchange value of the barter is much lower than the actual price of the purchased material. In Orissa and Madhya Pradesh the traders make an advance payment to the collectors and subsequently take their produce at an abysmally low rate of Rs. 40-50/ per quintal. The distress selling is also due to lack of storage facilities with the tribals.



Diversification of mahua based products

There are huge potential and technologies available for product diversification, for example, mahua concentrate can be extracted from fresh mahua flowers and can be used in making mahua based nonalcoholic beverages, jam jellies, squash. Dried mahua can be used in making mahua pickle, mahua kismis and other food items. However, for this it require proper skill development, enterprise establishment, branding and marketing through the concept of a Common Facility Centre at cluster level on mahua value addition.

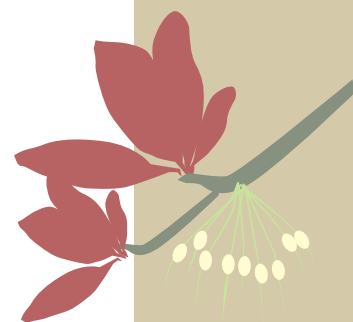
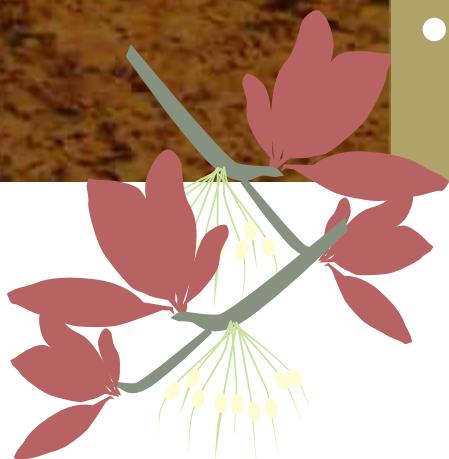
Role of the Panchayat

Though in Orissa control over mahua has been nominally devolved to the PRI, the real control still lies within the Excise Department as the Excise Act has not yet been amended since devolution. Though the PRIs have been authorized to set procurement prices, in reality prices continue to be dictated by the traders.



Immediate attention is required on

- **Strengthening the PRI:** capacity building of collectors for sustainable harvesting, procurement, and trading
- **Financial Support:** Provision of microcredit to be provided by NABARD, cooperatives, TRIFED, MFP federation etc.
- **Infrastructure Development:** Storage and processing facilities at cluster level CFC by TRIFED, ORMAS, OFDC, MFP Federation, TDCC etc.
- **Product Diversification:** Research and development of mahua based beverages and food items.
- **Tax Exemption:** Exemption from VAT, Excise, Sales and Mandi Tax



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Published by:

Centre for People's Forestry

ISBN 978 - 81-906691-7-7(SET)

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