

# **A REVIEW ON MECHANISM FOR MARKETING OF MINOR FOREST PRODUCE AND ITS SIGNIFICANCE TO ENHANCE TRIBAL ECONOMY**

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## **Abstract:**

Every individual or nation growth and development depends majorly on the livelihoods carried out by those individuals' and the support provided to such livelihoods in all aspects. In India, as per Government of India estimates about 125 million and 112 million total tribal and rural tribal populations are there in 2020. In these, nearly 50 percent of the tribal population live in forest areas. The tribal communities who live in forest areas depend extensively on the resources of forest for livelihoods and income generation on Minor Forest Produce (MFP). With the enactments of PESA (Panchayat Extension to Scheduled Areas) Act, 1996 and the Forest Rights Act, 2006 the forest dwellers are legally authorized with the possession and governance of the MFP. But, they have been suffering with many problems to produce minor forest products like legal issues, permissions, support price, financial-aid, marketing, branding and selling. This paper contributes to elaborate the provisions made by the government to overcome the challenges facing by the forest dwellers regarding MFP through a centrally sponsored scheme 'Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) & Development of Value Chain for MFP'. Started in 2013-14 with 10 Minor Forest Produce items covering 9 States impacting approximately 1 Lakhs tribal families the scheme is now expanded to 22 States covering 87 MFP items impacting 25 lakhs families. Total procurement has gone up from Rs. 30 crores in 2014-15 to Rs. 1870 crores in 2020-21.

## **1. Introduction:**

### **1.1 Significance of Minor Forest Produces (MFP):**

Tribal communities have a strong spiritual and economic relationship with the forest and a strong perception of their historic land and forest rights, even if these are not recognized under current legislative frameworks. Tribal groups have been living in and around the forests for centuries, practicing hunting and gathering activities, fishing, shifting cultivation, and more recently, settled cultivation, as primary means of subsistence. Although farming is now the chief source of livelihood for most settled tribal people, agriculture has not given them a sense of security. The main reasons include the small size of their farm holdings; low productivity, due to inefficient agricultural methods and lack of water for two crops; and the constant threat of wild animals (such as elephants). To avoid starvation, the most destitute may clear forest patches or engage in seasonal cultivation (slash and burn),

even though they realize that the size of forest resource upon which they depend for subsistence needs is limited (GOI, TRIFED, 2020).

Forests form an intricate element of the social and cultural life of tribals, and it is estimated that in India, about 300 million tribal and other local people depend on forests for their subsistence and livelihood. India has an estimated diversity of 3,000 plant species from which Non-Timber Forest Produces (NTFPs), generally known as Minor Forest Produces (MFP). Traditionally Minor Forest Produce (MFP) or Non Timber Forest Products (NTFPs) refer to all biological materials other than timber extracted from natural forests for human and animal use and have both consumptive and exchange value. Globally NTFP / MFP are defined as “forest products consisting of goods of biological origin other than wood, derived from forest, other wood land and trees outside forests”.

Majority of the tribals live in the forest areas and depend to a large extent for their livelihood and income generation on Minor Forest Produce which form a major source of subsistence and cash income for the tribal community. Minor Forest Produces also form a major portion food, fruits, medicines and other consumption items for tribals. According to a World Bank estimate, the MFP economy is fragile but supports close to 275 million people in rural India (Down To Earth, 2010) - a significant part of which comprises the tribal population, the most disadvantaged section of society, who live in forest fringe areas. According to an estimate the MFP sector alone is able to create about 10 million workdays annually in the country.

## **1.2 Rights of Tribal Communities over Forest Produce:**

The forest dwellers are legally empowered with the ownership and governance of the MFP through PESA (Panchayat Extension to Scheduled Areas) Act, 1996, and the Forest Rights Act, 2006. Under Forest Rights Act, 2006, "minor forest produce" includes all non-timber forest produce of plant origin including bamboo, brush wood, stumps, cane, tussar, cocoons, honey, wax, lac, tendu or kendu leaves, medicinal plants and herbs, roots, tubers and the like.

The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, gives the “right of ownership, access to collect, use and dispose of minor forest produce which has been traditionally collected within or outside village boundaries”. The Act was enacted to protect the marginalised socio-economic class of citizens and balance the right to environment with their right to life and livelihood. However, several problems abound. The tribal and other local people dependent on forests still remain underprivileged and poor and are deprived of fair returns.

For instance, products made after ‘value addition’ done to an MFP like tendu leaves is generating a heavy revenue to the state. If the same is done to other MFPs such as lac and *karanj*, it can transform the economic condition of forest dwellers in the state. Figures reveal that value addition done to horticulture, globally, is around 70 per cent but what has been done in India forms a mere 5 per cent. To cater to this small portion, the Ministry of Food Processing Industries has been constituted at the Centre but for forest produce none exists. In Jharkhand too, Mega Food Parks are being developed and only recently, foundation for an agriculture university has been laid at Barhi (Shalini Saboo, 2018).

### 1.3 Season-wise Important MFPs for Income Generation:

MFPs are especially important for the poorest households living in forested areas, especially women. A research study (The Livelihood School, BASIX, 2010) shows that in Chhattisgarh, the involvement of women in the MFP economy is very high, tribal households depend on the MFP economy more than non-tribal households and poorer households more than comparatively better-off ones. The MFP economy is a critical one for the most vulnerable sections of society.

Table 1. Season-wise Economically Important MFPs

S. No	Seasons	MFPs collected	Economy
1	January- March	Lac (resin), mahuwa, flower and tamarind	Over 75 per cent of tribal households in Orissa, Madhya Pradesh and Andhra Pradesh collect mahuwa flower and earn Rs.5000 a year. 3 million people are involved in lac production
2	April-June	Tendu leaves, sal seeds and chironji	30 million forest dwellers depend on seeds, leaves and resins from sal trees; tendu leaf collection provides about 90 days of employment to 7.5 million people, a further 3 million people are employed in bidi processing
3	July-September	Chironji, mango, mahuwa fruits, silk cocoons and bamboo	10 million people depend on bamboo for livelihood; 1,26,000 households are involved in tussar silk cultivation only
4	October-November	Lac, kullu gum, resins used in incense sticks	3 lakh person days of employment from collection of gums.

Source: TRIFED

## 2. Challenges and Issues during Cultivation and Marketing of MFPs:

The forestry sector has significant potential to enhance the income of the forest-dependent communities, including tribals, through sustainable harvesting, processing, value addition, and marketing of MFPs. At present, however, the sector has a few concerns causing social and ecological stress. Some of these challenges and issues are as follows (L Kaur & P Singh, 2021):

- i. Unsustainable techniques of harvesting MFPs are leading to poor resource regeneration.
- ii. There is a lack of standardization of the quality of MFPs.
- iii. The value chain, from collection to the sale of the produce, is largely unorganized and informal leading to inequitable distribution of profits.
- iv. MFP gatherers lack the knowledge of value addition techniques and skills.
- v. Poor awareness and lack of capacity of the local communities and institutions to implement provisions of the FRA and PESA about the ownership and management of MFPs.

### 3. Mechanism for Marketing of MFP through Minimum Support Price (MSP):

Price of MFP most often determined by traders rather than by demand/supply mechanism. Major areas of the MFP States are affected by left wing extremism. The Planning Commission and Expenditure Finance Committee jointly suggested the scheme namely 'Marketing of MFP through Minimum Support Price (MSP) and Development of Value Chain for MFP'. The scheme acts as a measure of social safety for MFP gatherers who are primarily members of ST. The Scheme was approved for deliberate implementation by the Cabinet during the 12th plan period. The scheme named "Mechanism for marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and development of value chain for MFP" vide order dated 06.08.2013 has been in place for providing MSP to gatherers of forest produces and introducing value addition and marketing through tribal groups and clusters. The geographical coverage of the Scheme includes all states and union territories of India.

Minimum Support Price for Minor Forest Produce scheme (MSP for MFP Scheme), started by Ministry of Tribal Affairs, Govt of India in the year 2013-14, was the first step in the direction of providing a fair price to tribals. In view of the potential of MFP trade across the country, the Scheme was already extended to all states across India. The scope for coverage is further enhanced covering 50 items with revised MSP to provide fair and remunerative returns to the tribals, from January 2019. With this step, every state can identify the major MFPs covered under the Scheme in their state and participate in the Scheme.

#### 3.1 Objectives of the Scheme:

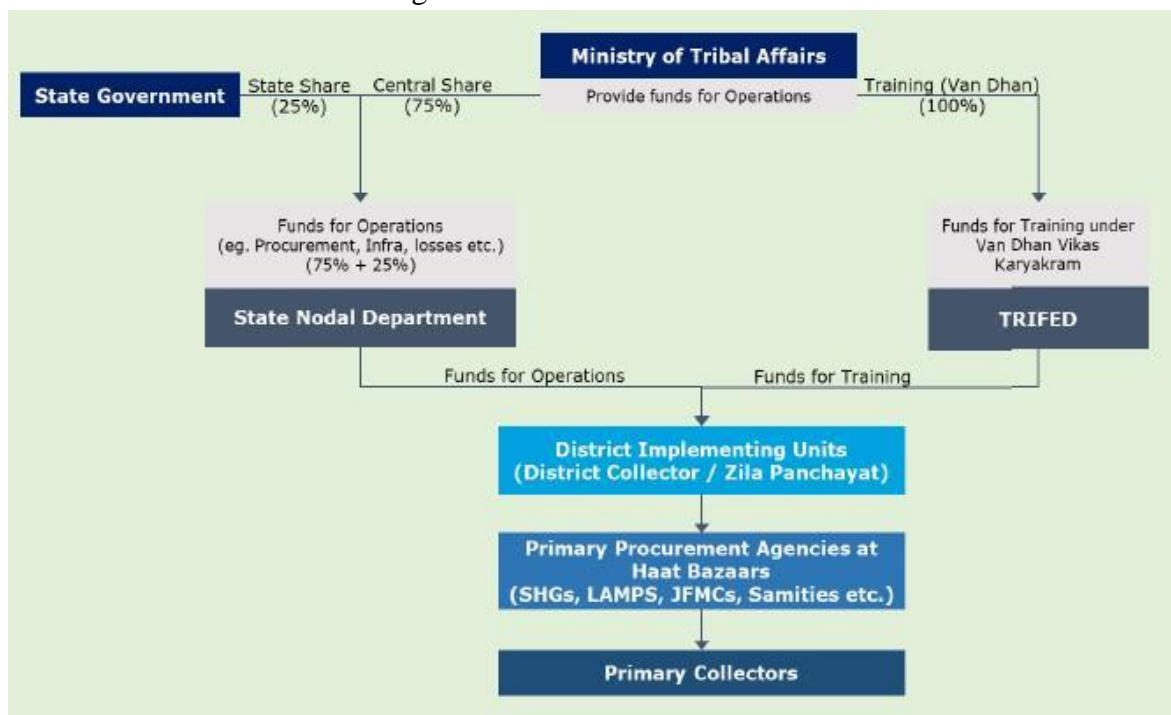
The objectives of the scheme are:

- To provide the fair price to the MFP gatherers for the produce collected by them and improve their income level
- To guarantee sustainable harvesting of MFPs.
- The MSP scheme aims at creating a framework to ensure fair returns for the produce gathered by tribals, assurance of buying at a certain price, primary processing, storage, transportation etc. while assuring sustainability of the resource base.
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#### 3.2 Fund Flow of the MSP for MFP Scheme:

Initially, the scheme included 10 MFPs in 9 States. It was later expanded to 24 MFPs and all States. The Scheme is implemented through State Level Agency (SLA) appointed by the State Government. Ministry of Tribal Affairs provides a revolving fund to the SLA. Loss, if any, is shared by Centre and State in the ratio of 75:25. **Presently, the scheme has coverage of 23 MFPs and applicability to all States.**

Figure 1. Fund Flow Mechanism:



Source: TRIFED, GOI

The Scheme includes proposals for procurement, infrastructure development, training, value addition and marketing (setting up of Van Dhan Vikas Kendras -VDVK). The architecture of responsibilities to implement the scheme has been framed with pragmatic approach and was discussed below in detailed.

### 3.3 Scheme Monitoring Mechanism:

With the adaption from Cabinet Approved Scheme having File No.2/1/2011-CP&R the following is the scheme implementation and monitoring mechanism:

i. Ministry of Tribal Affairs - Central Apex Committee:

The Ministry of Tribal Affairs (MoTA) as the Nodal Ministry will be the Central Apex Committee and responsible for policy, oversight and obtaining and providing budgetary resources for the Scheme. Secretary, MoTA will chair the constituted Central Apex Committee. The representatives from different Ministries and Departments to promote tribal centric gathering, value addition and marketing of MFPs shall also be co-opted on to this Committee. The Managing Director, TRIFED, Ministry of Tribal Affairs shall act as the Member Secretary of the Committee.

ii. TRIFED - Executive Committee:

Tribal Cooperative Marketing Development Federation of India Limited (TRIFED), as the apex national organisation involved in the improvement of the livelihood and empowerment of these tribal people, is the nodal agency for the implementation of the scheme. TRIFED will function as the technical support unit for MoTA and will coordinate the implementation and flow of funds of the Scheme through the designated State and other

agencies including District Implementing Units through an Executive Committee setup within TRIFED.

iii. Pricing Cell:

The Minimum Support Price will be recommended by the Pricing Cell setup in TRIFED. The Cell will constitute of members and experts in areas of price fixation, economic analysis, trade and marketing of MFPs. The announcement of MSP would be done by MoTA.

iv. State Government / State Nodal Department and other Agencies:

The State Government would identify the State Nodal Department and other agencies including the District Implementing Units. The State Nodal Department will coordinate the flow of funds and related matters of oversight to the District Unit. The agencies will oversee the implementation mechanism and allied activities through the District unit and in Haat Bazaars. A State Project Management Unit (PMU) comprising of professionals in the field of finance, marketing, IT and social sector etc. would be setup to support the State Nodal Department and other agencies.

v. State Level Coordination and Monitoring Committee

The Chief Secretary of respective state will chair the State Level Coordination and Monitoring Committee (SLCMC) comprising of representatives from State Nodal Department (Tribal Welfare Department) and other agencies and also including Secretaries of Rural Development, Finance, Panchayati Raj, Industries, Handlooms and Handicrafts, Agriculture and other stakeholders. There would be freedom to co-opt any other stakeholder deemed necessary.

vi. District Implementation Unit / District Level Coordination and Monitoring Committee:

- a. The District Collector apart from heading the implementation in the district will also chair the District Level Coordination and Monitoring Committee (DLCMC) comprising of officials from Tribal, Forest, Rural Development, Zila Panchayat, Agriculture, NIC and Revenue formations. There would be freedom to co-opt any other stakeholder deemed necessary.
- b. The implementation in the district will be chaired by the Collector who will be responsible for overall preparation of the haat bazaar wise consolidated District Plan which will include procurement, infrastructure, value addition and marketing development (Van Dhan) plan. In the implementation of the Scheme, the District Collector will exercise all the financial and administrative powers to the extent granted by the State Government.
- c. A District Project Management Unit (PMU) comprising of professionals in the field of accounting, marketing, IT and social sector etc. would be setup to support the district unit.

vii. Primary Level Procurement at Haat Bazaars:

- a. Primary level procurement at Haat Bazaars will be done through the existing set up of the state/ district or by engagement of Primary Procurement Agencies such as Cooperative Societies/ LAMPS/ Mahila Samities/VDCs/JFMCs/ self-help groups (SHGs) formed in the State including those formed under the National Rural Livelihood Mission constituting of

local tribal majority members etc. selected by the District Collector in consultation with the Gram Panchayat. Such agencies shall be paid commission at the rate not exceeding 7.5% of the value of MFP procured through them. The expenditure for the purpose will be charged from the Overhead expenses which is upto 20% of the budgeted procurement outlay.

- b. The Haat Bazaars as the fulcrum of the Scheme will be developed as composite vibrant grid to ensure last mile connectivity as per Provisions of Panchayats (Extension to Scheduled Areas) Act, 1996 and The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 to secure and institutionalize tribal commerce.
- c. The buyers including Government led SHGs would also operate in the Haat Bazaars regulated by the Gram Sabha as per provisions of the PESA Act 1996 (Section 4 Clause (m)). The Haat Bazaars will also serve as the basis for setting up of value addition and marketing centers namely 'Van Dhan Vikas Kendras'.
- d. Primary, Secondary and Tertiary level value addition units will be setup in villages, tehsils or talukas and district headquarters based on the availability of minor forest produces and tribal population.
- e. The Primary Level Gatherers as rightful owners of forest produces as per FRA Act 2006 (Chapter II U/S 3 Clause 1(c)) would be the focus of the Scheme and every activity will focus on the benefits that he/she derives and would be accordingly ordained.

viii. Federation of SHGs:

The SHGs for procurement and/or SHGs for value addition & marketing would be developed as producer groups through a hierarchy within a federation of SHGs at the National, State and District & below levels. This concept has been proposed keeping in view the need for aggregation of produce and strengthening of individual tribals through clusters. This will also lead to economies of scale, holding and bargaining power to the SHGs.

### **3.4 Risk Management and Memorandum of Understanding (MoU):**

A risk management matrix to identify, pre-empt under-performance and support SHGs which may not function as per expectations which will be put in place. The Scheme entails business activities at the levels of procurement, value addition and marketing (Van Dhan) which would be a startup activity for the predominantly tribal SHGs. It is expected that 60% of the SHGs formed would take off. The remaining weak and failed units would need resuscitation, handholding or transfer to other activities which suits them.

The various roles and responsibilities of the Central and State Government Ministries/Departments and Agencies will be guided by a MoU signed between the Central Government representative TRIFED and the Nodal Department nominated by the State Government. This will ensure accountability and clear definition of roles and responsibilities (Annexure 3).

### **3.5 Monitoring and Oversight of the Scheme:**

A robust oversight mechanism including audit and IT-enabled Management information system (MIS) will be put in place to ensure transparency, fix accountability and penalize malafide actions to the norms of the Scheme. The MIS platform will link the Central Agencies and Haat Bazaar level agencies. The platform will be developed by TRIFED.

#### 4. New Developments in Tribal Economy through MSP for MFP:

With this pragmatic approach of marketing MFP through MSP, there was progressive change in the tribal economy and has included various other products to encourage tribal communities. Under the MSP for MFP scheme, cumulative procurement of Rs.1841.74 Cr has been made by States i.e. Rs.321.02 Cr using GOI funds and Rs.1520.72 Cr using State funds in last two years (2019-20 & 2020-21) including Rs.821.48 Cr during the financial year 2021-22. This has helped in ensuring fair and remunerative prices to tribal gatherers for their produces and also raising market procurement at prices above MSP announced by the Government. Started in 2013-14 with 10 Minor Forest Produce items covering 9 States impacting approximately 1 Lakhs tribal families the scheme is now expanded to 22 States covering 87 MFP items impacting 25 lakhs families. Total procurement has gone up from Rs. 30 crores in 2014-15 to Rs. 1870 crores in 2020-21. A phenomenal increase in value of procurement by private trade has also been reported.

The Van DhanYojana (Van Dhan Vikas Kendras -Start-ups scheme), an initiative of the Ministry of Tribal Affairs, has proved to be successful within a year of its implementation, with the establishment of 1205 Tribal Enterprises and providing employment opportunities to 3.6 lakh tribal gatherers and 18000 Self-help groups in 22 States. This successful implementation has also acted as a catalyst in helping the Minimum Support Price for Minimum Forest Produce Scheme take roots across the country. To provide a fillip to the sagging tribal economy, a revised MSP for MFP guidelines were issued on May 1 2020, which increased the MSP prices of the MFPs by up to 90% and thus helped in providing higher incomes for the tribal gatherers.

As per TRIFED, under Van DhanYojana, establishment of 37,872 VDVKs have been sanctioned against the Sankalp Patra target of 50,000 VDVKs in Tribal area, which are subsumed into 2274 VDVK Clusters directly benefitting 6.76 Lakh beneficiaries/ Around 1200 VDVK Clusters are operational. The target of setting up of 50,000 VDVKs incorporating 10 Lakh tribal entrepreneurs has to be completed by 30th July 2021.

#### 5. Conclusion:

Over the past year, due to the unprecedented crisis caused by the ongoing pandemic, the lives and livelihoods of people across all segments, and in particular, the disadvantaged tribals, across the country have been severely disrupted. At such a time, the 'Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) & Development of Value Chain for MFP' has come as a beacon of change. Conceptualised and implemented by TRIFED in association with State Government Agencies across 21 states of the country, the scheme has emerged as a source of great relief for tribal gatherers injecting more than Rs 3000 crores directly in the tribal economy since April 2020. This has been possible mainly due to the Government push and active participation from the States and has provided much needed liquidity in the tribal ecosystem, much needed in the adverse times. Continuing with its earlier efforts to provide remunerative and fair prices to tribal gatherers of forest produces, the Ministry of Tribal Affairs has revised the MSP for MFP list and has included 14 additional MFPs in the list. This recommendation of additional items is over and above the previous notification issued on May 26, 2020 (in which the list had been revised to



include 23 MFPs) and May 1, 2020 in which the MSP revisions for the MFPs were announced.

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