



IMPACT OF COVID-19 ON MINOR FOREST PRODUCE (MFP)

SITUATIONAL ANALYSIS OF MINOR FOREST PRODUCE



This report was prepared in discussion with farmers, FPOs and other stakeholders engaged in Minor Forest Produce value chain along with review of secondary literature.





IMPORTANCE OF MFP IN THE INDIAN CONTEXT

Along with farming and livestock rearing, collection of Minor Forest Produce plays a crucial role in providing subsistence and livelihoods to rural communities in India. It is estimated that around 100 million people are directly dependent on MFPs for their livelihoods. Additionally, this sector supports, either directly or indirectly, close to 275 million people in rural India (source: TRIFED). They provide 50% of the household income for approximately one-third of India's rural population¹. This dependency is particularly intense for half of India's 89 million tribal, one of the most disadvantaged sections of society, who live in forest fringe areas².

The potential of the MFP economy in India is estimated to be around INR 40000 million (source: TRIFED). There exists a high demand for MFP in Pharmaceuticals, Cosmetics, Food & Beverage industries. Thus, the importance of MFPs is not only restricted to the primary collectors but transcends to supply chain actors till domestic and global consumers. Any extended disruption in the upstream supply chain has the potential to cascade the adverse effects on the players involved in the downstream supply chain as well.

MFPs contribute to more than 50% of the household income for approximately one-third of India's rural population i.e. 65 million households.

SEASONAL NATURE OF MFPs

It is a well-known fact that majority of the tribal population of the country resides in the rainfed areas. These tribal forest dwellers, who form the backbone of the domestic MFP economy, are dependent on the MFPs for income during the lean agricultural period between January-June. Coincidentally, this is also the period when most of the MFPs are available for collection and seasonality amplifies their importance in the lives of the forest fringe dwellers. A few important MFPs as per their harvesting / collection season are mentioned below:

Season	Minor Forest Produce 8
Jan- Mar	Lac, Mahua (<i>Madhuca longifolia</i>) flower, Tamarind (<i>Tamarindus indica</i>), Amla (<i>Phyllanthus emblica</i>), Karanja (<i>Pongamia pinnata</i>) seeds, Harida (<i>Terminalia chebula</i>), Bahada (<i>Terminalia bellirica</i>)
Apr- June	Tendu (<i>Diospyros melanoxylon</i>) leaves, Sal (<i>Shorea robusta</i>) leaves and seeds, Siali (<i>Bauhinia vahlii</i>) leaves, Char (<i>Buchanania lanzan</i>) seeds, Mahua (<i>Madhuca Longifolia</i>) seeds

¹<http://docsdrive.com/pdfs/academicjournals/rjf/2016/1-7.pdf>

²<http://docsdrive.com/pdfs/academicjournals/rjf/2016/1-7.pdf>

CHALLENGES IN MFP TRADE DUE TO COVID-19

The pandemic COVID-19 and its related implications have created several bottlenecks across harvesting / collection, procurement, value addition, and marketing stages of various MFPs and derived products. The challenges that have emerged are discussed below:

Harvesting / Collection of MFPs

The collection process of Government-controlled commodities was severely hit.

Tendu leaves and bamboo makes up for around 60% of the total MFP trade in the country. Trade of both of these MFPs is monopolized by state governments, either directly or through its corporations (source: TRIFED). The Government procures these commodities through its nodal agencies such as Forest Department, TDCC (Tribal Development Cooperative Corporation), and State Forest Development Corporations.

Tendu leaves collection provides about 90 days of employment to 7.5 million people in the country. The states of Madhya Pradesh, Chhattisgarh and Odisha are the top 3 tendu leaves producers. It is estimated that one family earns between Rs. 5000-12000 during the collection season of tendu leaves. But, due to COVID-19 and the necessary lockdown measures, the collection process of Tendu leaves had to be stopped, depriving the rural communities of much-needed cash income during the lean agricultural season.

Collection of tendu leaves generally starts from early-mid April as its main consumer, the bidi manufacturing industry requires soft and tender leaves that can be rolled easily. However, the postponement in the collection process due to the lockdown meant that in many places, the leaves had already started to dry up making them unsuitable from being rolled into bidi. This has not only adversely affected income of the local community but has also decreased inflow of quality leaves for the bidi industry. Tendu leaves are also exported to countries like Bangladesh and Pakistan, and it is expected that the export will also suffer due to lower production this year.

The collapse of the pre-trade financing mechanism affected the collection process

In the case of commodities that are under the purview of the Gram Sabhas and Biodiversity Management Committees, the collection of MFPs mostly suffered due to the breakdown of the market systems. While production of tamarind, sal seed among several MFPs has been good this time around, but with the onset of the pandemic and the resulting restrictions on the movement of people and vehicles, the collection and trade of these MFPs have turned upside down affecting the livelihoods security of the local communities. It's common for the local traders to pay money in advance or immediately after purchase of the MFPs to the primary collectors. This method helps the primary collectors with much-needed cash at the time of the year when agricultural activities are lean, and they are in dire need of cash to meet their household expenses. ***The pandemic and resultant lockdown has created uncertainty in the supply chain due to which the mechanism of pre-trade financing has collapsed.*** The linkage between the local intermediaries and the big traders could not materialise. Hence, with money not flowing to ensure aggregation of MFPs, the chain was broken. Ensuing fall in market demand, many MFPs are languishing either in the wild or cropland since primary collectors did not find any incentive to collect in the current scenario.

JSLPS experience on tamarind

The plight of tamarind collectors can be imagined from the fact that tamarind production fluctuates every alternate year. Mr. Arif, State Project Manager, Mahila Kisan Sashaktikaran Pariyojana (MKSP), Jharkhand State Rural Livelihood Promotion Society (JSLPS) shared that JSLPS under MKSP facilitates FPCs to aggregate tamarind and sell to various markets players. 140 local collection centres have been established to facilitate the aggregation. The strategy of the FPCs was to aggregate tamarind, store it in the cold storage for a period of 4-6 months and gain from better prices during the ebb period. However, lockdown necessitated by COVID-19, not only significantly reduced the mobility in villages but also led to unavailability of transport vehicles and temporary closure of cold storages. Hence, against the benchmark 400 MT ascertained collection potential (achieved last year), only 100 MT could be collected by producer collectives.

Aggregation, Marketing and Sale of MFPs

Non-functioning of haats bazaars disrupted the market flow of MFPs

A major portion of the MFPs is traded through the village haat bazaars. It is estimated that there are around 5000 tribal haat bazaars in the country (source: TRIFED). These are weekly markets that take place on open grounds and act as a platform for linking the primary collectors with consumers and traders. These haat bazaars play an important role in aggregation of MFPs for forward linkages and also, in providing primary collectors with the opportunity to sell directly to the local consumers and receive cash income. With the Government imposing strict restrictions in the aggregation of people at any place, the operations of such haat bazaars had to be closed down. This resulted in reduced inflow of cash money in the tribal households as they were unable to access the most convenient and first level market channel to sell their produce.

Mr. Arif shared the outcomes of the lockdown

1. **Storage of tamarind and possibility of securing better prices at a later point of time was lost**
2. **Sales to local market, part of the survival strategy, was employed which adversely impacted price realization to primary collectors and lesser margins to producer collectives.**
3. **Unavailability of labour in labour intensive tamarind processing units resulted in their operating at unviable utilization capacities, especially during the earlier phases of the lockdown.**



The inability of local intermediaries to carry out their operations and service local communities cash need against purchase of MFPs affected the whole MFP supply chain.

Village level aggregation of minor forest produce in many states of India is usually facilitated by the local intermediaries (also known as *kuchiyas* in Odisha and *paikars* in Jharkhand) who are crucial for the smooth functioning of the MFP supply chain. They play the dual role of a credit provider to the local communities as well as that of a first-level buyer. These intermediaries act as agents for big traders. They usually purchase on the behest of the big traders who provide them financial resources to purchase & aggregate identified MFPs during the season.

During the COVID 19, this local intermediary system collapsed and the financial intermediation and lifting of produce which used to happen through these intermediaries became the casualty. With the pandemic disrupting the pre-trade financial mechanism, the link that the intermediaries had established with the local communities suffered. Besides, the restrictions in the movement of vehicles as well as people, the local intermediaries were unable to procure raw products from the local communities adversely affecting their livelihoods.

It is particularly important to note that major tamarind traders who are based in South Indian states avoided risk of trading tamarind from Central and Eastern parts of India. Tamarind finds a huge market in Middle East Countries where it is used extensively for culinary purposes. The trade used to happen via the exit points of Kolkata-Bangladesh corridor and Amritsar. With restrictions on export, the demand from the exporters also reduced during the lockdown. Thus, offtake of tamarind by open market players reduced considerably.

The restrictions in the movement of vehicles hampered the pre-existing market linkages.

Many primary collectors with the help of local CBOs (Community-Based Organisations) and MSMEs have managed to create links with large traders and institutional buyers for their products. These linkages make up for the majority of the total trade of the CBOs/ MSMEs. But, this season, due to the pandemic induced lockdown measures, the CBOs/ MSMEs were unable to continue with their existing commitments.

One of the processing units located in Balangir shares that during the previous year 1000 truckloads of Nagarmotha were transported to Maharashtra, Kannauj, Raipur, and Kanpur from the area. During this season, the expectation was to maintain the status quo. However, except for 50 truckloads that got traded before the onset of COVID-19, further supply has not taken place.

Shri S. K. Das, Director Sabuja Biplav, an NGO in Odisha, shared that the NGO has facilitated cultivation of lemon grass in around 2700 acres in Baripada in Mayurbhanj district.

It has set up an oil extraction plant and procures lemon grass from the local farmers at their CFC (Common Facility Centre). The policy of CFC is to immediately pay the farmer after the procurement. Having paid farmers for their material, it now has quintals of lemon grass oil which, they are unable to sell it to forward markets. The working capital is blocked and for want of cash they anticipate the next cycle of cultivation getting severely impacted.

Even with easing of Lockdown 2.0 and 3.0, there is still hesitation among local community to harvest lemon grass making the scenario extremely precarious.

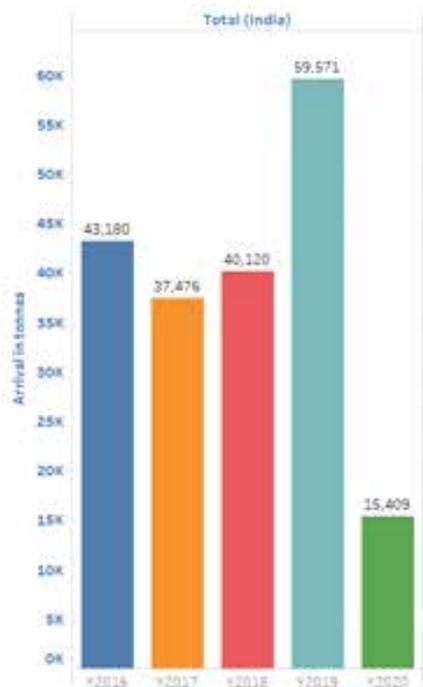


FIGURE 1: Arrival of tamarind fruit in mandis between 1st march to 30th may in different years

Data Source: <https://agmarknet.gov.in>

Government agencies lack the required manpower to conduct large scale procurement of MFPs.

Although the Government of India has launched two landmark schemes for supporting MFP collectors through Pradhan Mantri Van Dhan Yojana (PMVDY) and Minimum Support Price (MSP) for MFP scheme, non-functioning of many Government line departments during the lockdown further affected the reach of these schemes to the tribal communities. Even after the Government allowing the agencies to conduct large scale procurement of MFPs from primary collectors at the MSP, lack of manpower in these agencies has been attributed as one of the reasons that have hindered the whole process.

The MSP for MFP has been a great initiative but due to restrictions of COVID-19, procurement by identified nodal agencies got inordinately delayed and resulted in significant monetary loss for primary processors. Sal seed which is now ready for collection in different parts of the country including Madhya Pradesh and Odisha has seen one of the slowest collection rates by the primary collectors since neither government, not private players were ready to procure.

There are certain pockets such as Kalahandi in Odisha and Gadchiroli in Maharashtra, where collection and marketing of tendu leaves are under the purview of the Gram Sabha. With the permission of the Gram Sabha, the local communities had been able to collect the leaves at the right stage of growth. However, without the necessary transportation services, these Gram Sabhas faced difficulties in marketing their products to the buyers in Raipur and Nagpur, respectively. Their inability to get requisite transit permits, during the lockdown, from the administration for smooth movement of these commodities restricted the reach to potential markets.

Figure-1 compares arrival of tamarind in the major markets across the country between 1st March and 30th May in different years. Figure-2 compared the arrival of tamarind fruits in the mandis of 5 major tamarind producing states of India. It is evident that the country's markets saw one-fourth arrivals in Y 2020 as compared to Y 2019 during the period 1st March to 30th May. Similarly, market arrival of tamarind in the top 5 tamarind producing states (except for Chhattisgarh) show a steep decline.

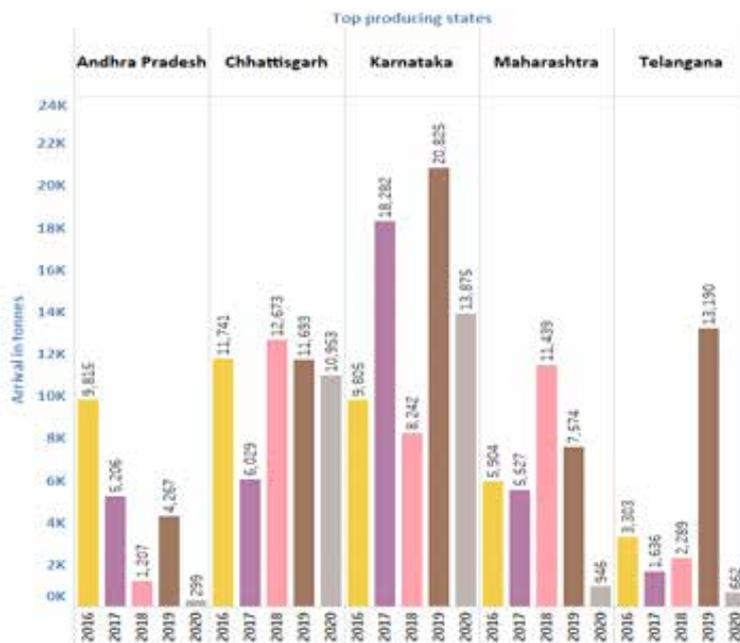


FIGURE 2: Arrival of tamarind fruit in mandis of 5 major producing states between 1st March to 30th May

Data Source: <https://agmarknet.gov.in>

JSLPS, an identified agency for tamarind procurement at MSP in the state of Jharkhand, in the light of the developments, revised its strategy and asked the collectives and primary collectors to sell the aggregated tamarind in the local markets. They, however, could not fully benefit from the MSP because of some unforeseen delays. Only 12 MT of the aggregated 100 MT tamarind could be sold at the MSP.

IMPACT OF COVID-19 ON PRIMARY COLLECTORS

Reduced cash flow from MFPs have impacted the livelihoods security of collectors

Being one of the most vulnerable sections of the society, MFP collectors (forest dwellers) are already at the forefront of bearing the shocks of climate change and erratic weather events. Since, these communities depend highly on monsoon any deviation in the summer rains severely impacts their lives. Primary collector households' dependence on seasonal MFPs help them tide over the agricultural lean season between January to July. Hence, these households see MFP collection as the most important source of cash income/ food to meet their consumption needs. The lockdown due to COVID-19 has affected the livelihoods of the primary collectors who used to eke out a living by collecting MFPs such as Amla, Harida, Bahada, Tamarind, Lac, Tendu, Char seeds, sal seeds, Mahua flower, and Mahua seeds, as the lockdown coincided with their collection season. Although, there are certain commodities such as Mahua flower which can be dried and stored for a longer duration, cash inflow of primary collectors has been severely affected. Ban on festivals and social ceremonies has further pushed the local economy to the brink as the demand for MFPs both within local communities and outside has also gone down. The use of siali and sal leaves which is common in local festivals has taken a big hit. Their consumption has also reduced significantly during the lockdown. Overall, these factors have resulted in significantly less income among the local communities.

“According to Jayanti di, SHG Leader- Sundargarh district of Odisha state, stress on the SHG members is unimaginable since firstly income from the mahua and kendu (tendu) leaves was lost and secondly their savings which got invested in purchase of cloth material for making masks has not yielded in expected incomes. She also shared that tribal households who have dried and stored mahua flowers had to sell it in distress to local 'daru bhati' (country liquor manufacturers) at a much lesser price than the previous years.”



MFPs provide cash inflow to the tribal households before their main agricultural season. And with this getting affected, the spending capacity of these tribals has reduced immensely which in turn is going to hamper their potential of meeting the agri input costs for the Kharif crops.

Additional consumption needs threaten the food and nutritional security of the primary collector households

A large part of these communities are already living below the poverty line and any lingering effect of the lockdown would further push these communities towards desperation in terms of food and nutrition security. Although the effect of COVID-19 on the collection of edible forest resources that goes into household consumption has been limited, the lockdown has impacted the food security of these households differently. With many economic activities suffering and Residential Schools and Hostels for Scheduled Tribe run by Ministry of Tribal Affairs being temporarily closed, the tribal students had to return to their homes. This homemaking of students has increased the number of mouths to be fed in a tribal household leading to more requirements of food. And with the flow of cash into the households from MFP marketing already hampered, the pressure on the household has increased and so has the pressure on their local ecosystems.

Producer Company's efforts bring rich dividends to its tribal shareholders: Caselet

Sabujima Producer Company Limited (SPCL), a tribal women producer collective established in 2017 in Boipariguda block of Koraput district, Odisha aggregates and value-adds forest and agro produce grown/collected by its members. Major produces are Tamarind, Wild Honey, Amla, Turmeric and Millets. Due to COVID-19 lockdown, fetching remunerative markets was becoming extremely difficult for the producer company. Villages were disconnected from the mainstream market and traders were unwilling to lift produce from the villages. Even Tribal Development Cooperative Corporation (TDCC), a state level marketing agency promoted by Government of Odisha, to procure Minor Forest Produce (MFP) at Minimum Support Price (MSP) failed to function during this crisis.

Tamarind, an MFP, is largely collected from forest area or crop lands by majority of SPCL's shareholders. BoD of SPCL procured seedless tamarind from its shareholders only to realise that their regular market players' quality specifications and offered price did not make business sense to them. **According to Ms. Mani Manjhi, Chairperson of the Company, 'buyers were stringent on the quality specifications since erratic rains during summer had the potential to reduce the quality of tamarind, if not properly processed and stored'.** SPCL not only procured seedless tamarind but developed the desired quality in their central processing unit. It went on to deliver 10 MT of seedless tamarind to the godown of a leading market player in Hyderabad amidst partially relaxed lockdown. Mr. Trinath, CEO of SPCL shared that they received an ex-godown price of Rs.100.60 per kg. While the company paid Rs. 80 per kg to primary producer, which is around 15% above the State Government of Odisha's recommended MSP of tamarind, the remaining amount will be shared as dividend after reduction of operational cost at end of the financial year. He added that 223 producers were directly benefited through this intervention.

Caselet developed in discussion with Mr. Sagar Mohanty, Enterprise Promotion and Market Expert at CYSD. Mr. Mohanty shared that CYSD has been supporting SPCL (since SPCL's inception) on technical aspects and developing financial & market linkages. During the lockdown, CYSD not only kept in touch with the Board of Directors through its community volunteers but were also actively involved in searching and connecting the producer company with right markets.