

CHAPTER – I

INTRODUCTION

Forestry sector plays an important role in the national economy as it supplies forest products and a variety of raw materials. It plays an important role in improving ecological environment, soil erosion and water losses. Forest produce are classified in two categories- Major and Minor. The major forest produce includes timber and firewood. The rest of the produce viz. fruits, leaves, grasses, seeds, honey, silk etc. are termed as Minor Forest Produce (MFP) or Non-Timber Forest Produce (NTFP) or Non Wood Forest Produce (NWFP).

Forest is recognized as a “renewable natural resource”. Being the renewable resource forests have to be managed without endangering the conservation of soil, water and the production potential of the resource is fully utilized on sustainable basis. It will be necessary not to be contending merely on whatever produce accessible forests are yielding but to make in search enquiries into the possibilities of harnessing the full productive capacity of all our forests and proper utilization and marketing of the produce. Most of the forests in the country are state owned and are managed by the state governments on the basis of long term working plans approved by the Union Government.

It is well known fact that the residents of forests gets only a small fraction of what ultimate consumer pays for forest commodities and 10-30% of their income is spent in servicing intermediaries in the form of commission, taxes, interest, transportation warehousing charges etc. The chain of intermediaries in Indian agriculture/forestry market is one of the longest in the world. A major portion of the loss in value of commodities due to wastages, transportation, storage, handling etc. is again borne by the grower. Despite efforts made by the governments these mandies are marked by inefficiencies, dominance of commission agents etc. Therefore, the focus of growth in rural economy has to shift from production to processing and marketing of agriculture produce. Although, some of the governments have given permission to agencies to operate as private mandies, problems related to transparency and fair price discovery persist. Therefore, NCDEX/MCX has taken up an initiative to launch a National Spot Market. Such a national level platform would help transcend regional and state boundaries and pave the way for participation by concerned entities irrespective of geographical locations. The growers would stand empowered by virtue of the electronic platform which would extend the reach to buyers across the length and breadth of the country.

A mandi typically serves 100 to 1000 square kilometer area. Mandi is the delivery point where farmers bring their produce directly or through village agents for sale to traders. Trading in mandies is conducted and controlled by commission agents called *Adhatiyas* who have extensive personal network and financial influence on farmers.

The primary sale attracts mandi tax which is paid by the buyer. Tax paid goods can then be freely traded within the state with no further liability towards the mandi tax. Secondary sales take place on the basis of bilateral negotiations between known parties having an established relationship. Although transactions in the secondary market are very often based on informed decisions, and result in smooth delivery and settlement, extended chain of intermediaries precludes possibility of a higher price realization for the seller and lower acquisition price for the end users.

Another feature observed in the current system is the financial assistance extended by commission agents. These agents also provide storage facilities to the farmers and offer to dispose off the produce at an appropriate time, ostensibly with the objective of realizing a better price for the farmers' produce. Given the high cost of intermediation, there is scope for a more efficient platform with better price dissemination capability at lower costs. The solution lies in the establishment of an Electronic spot markets can be established for standard and non standard products and can conduct auctions or continuous day trading with trade to trade settlements. Spot exchanges, with the permission of the State Governments can function as private mandies and/or provide electronic auction platform to existing mandi participants. Buyer and sellers would participate in the spot exchanges only through members. Members in turn may seek license from respective mandi samities of the state or get license through exchanges for handling agricultural produce in the state. Electronic spot exchanges need to be accompanied with sufficient warehousing and assaying facilities as conduct of auction and trading for standard products would require pre-assaying and storage at accredited warehouses.

1.1. Forestry before Independence

The forest management includes forests regeneration either naturally or by planting trees, their tendering, protection, harvest and utilization on a sustainable basis. Since it is a long-term process a policy has to be there to maintain the continuity. In 1894, the Government of India declared first forest policy. All the forests were in charge of the Indian Government till 1935. Under the Government of India Act, 1935, the forests came to be completely vested with the provinces. Government of India and the Inspector General of Forests were concerned only with the common and general aspects of forestry like forestry research, soil conservation and education etc. The entire forest management and the administration in the state were under the supervision of the Chief conservator of the forests of the respective state. From 1935 to till the Second World War significant progress was made in forest management like natural regeneration of Deodar, Sal and artificial regeneration of Teak. However, there was extensive over-felling even by adopting advance working. The gross revenue of the year prior to II World War was almost seven times at the end of World War. As the full control of the forests was with the states or the provinces not much attention was given to the implementation of the 1894 policy.

1.2. Forest Policy of 1952

The first forest policy of 1894 was revised in the year 1952. The important recommendations of the 1952 forest policy are:

1. Classification of forests into protected forests, national forests, village forests and tree lands
2. A system of balanced and complementary land use to be evolved
3. Tree lands wherever possible are established for the amelioration of the physical and climatic conditions and also for the well being of the people
4. Make provisions for ensuring progressively increasing supplies for timber and grazing
5. Discourage indiscriminate extension of agriculture at the cost of forests
6. There should be adequate land under forests to ensure its productive, protective and bio-aesthetic role
7. Create awareness among the people about the importance of the forests.
8. National forests should be managed on the principle of progressively increasing the sustained yield to fulfill the demands of the country.
9. Protection of wildlife
10. Training of the staff
11. 60% of the land in the mountainous region and 20 % in the plains should be under forests.

Like the 1894 policy the recommendations of the 1952 Forest Policy have not been fully implemented by the states for various reasons. Due to an enormous increase in human and cattle population forests were subjected to uncontrolled pressures like illegal grazing, hindering natural regeneration, illicit felling. All this resulted in deforestation and degradation of the forests, naturally affecting the yield. The other factors leading to degradation and deforestation are transfer of lands for agriculture, large-scale encroachments on forestlands. This has definitely reduced the productivity of the forests.

Government of India appointed National Commission on Agriculture (NCA) in the year 1976. They studied the forestry sector and made recommendations for future action. The most important consideration is that the government is the sole proprietor for the supply of timber and the industrial wood. The supply from the existing forests is declining due to the factors already mentioned above. Therefore the NCA was convinced that forestry must come out of the low-yield practices to face the mounting demands. This view of the NCA led to the emergence of the establishment of Forest Development Corporations in various states for raising large-scale plantations of valuable species. The state of Maharashtra was a pioneering state in this regard. Another recommendation of the NCA was to take up social forestry programme for which Gujarat was a leader.

1.3. Forest Development Corporation (FDC)

The State Government establishes the Forest Development Corporation in the states to convert the forest areas having trees of low value but capable of growing suitable fast growing species yielding higher returns per unit area. The forest areas having miscellaneous crops of low value were clear felled and large scale plantations of teak were raised. Excepting timber from the recognized miscellaneous species all the material resulting from the clear felling was to be reserved for wood based industries. For planting the clear felled areas huge finance is required. Being a corporation it was possible to obtain long term loans from financial institutions like NABARD. The clear felling resulted into supply of huge quantity of wood in addition to the normal supply by the Forest Department.

1.4. The National Forest Policy (1988)

The National Forest Policy (1988) prescribed the goal of increasing the forest and tree cover to the extent of 33% of the geographical area of the country. Therefore, the Planning Commission has set the target of achieving 25% geographical area by the year 2007 and, 33% cover by 2012. At present the forest and tree cover is only 23.03% area as reported in 2001.

The Forest Survey of India reported in 2003 that the forest and tree cover of India is 23.68% out of which the forest cover is 20.64 % and the tree cover is 3.04 %. It will, therefore, to be seen that an increase in forest covers by 1.32% will have to be achieved to fulfill the target of 25% by 2007 and another 8% during 2007 to 2012. In terms of area (hectare) there has to be an increase of forest and tree cover by 4.36 million hectare by 2007 and by another 27.10 million hectare during 2007 to 2012. Thus additional 31.46 million hectare of forest and tree cover will have to be added by 2012. The Government of India has decided to achieve this target as under:

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| (a) Within recorded forest area | 5.00 million ha. |
| (b) Outside the recorded forest area | 26.46 million ha. |

From the targets mentioned above, it will be seen that the required rate of raising the forest and tree cover is around 4 million hectare per year. However the present increase as per 20-point programme is only 1.32 million hectare. The above task is enormous and therefore requires coordinated efforts by all departments and innovative measures including policy decision.