

# Strengthening participation of marginal mountain communities in high value product value chains: *Cinnamomum tamala* (Indian bay leaf) in Uttarakhand, India

Most small and marginal farmers in Uttarakhand cannot grow enough to survive from farming alone, and augment their income using other natural resources. Medicinal and aromatic plants (MAPs) are high value products that provide opportunities for rural poor and landless people to improve their incomes. Uttarakhand has declared itself to be a 'Herbal State' with a strong focus on the development of medicinal and aromatic plants, of which it has a great diversity. However, the value chains for these plant products are poorly organised and lack transparency. They are governed by a myriad of actors from the upstream production areas to downstream markets, and operate under complex policy and institutional frameworks that restrict the ability of the poor to benefit from the growing markets.

ICIMOD implemented an action research project from January 2008 to December 2009 to understand how producers in disadvantaged regions can participate more effectively in mainstream domestic markets and how they could be supported to access such markets. The project was supported by, and carried out in collaboration with, the Overseas Development Institute (ODI), UK, and implemented by partners in Uttarakhand, India.

## Action research on high value products and value chains

The project was implemented in Chamoli district of Uttarakhand, with active ground support from the Forest Department, Uttarakhand, and Himalayan Action Research Centre (HARC). The specific aim was to make a significant contribution to the livelihoods of the collectors of *Cinnamomum tamala* (Indian bay leaf), and to contribute to development thinking on pro-poor value chains in mountain areas.



The Indian bay leaf tree (local name tejpat) grows well on degraded land and marginal soils. The leaves are used as a spice in cooking and in traditional medicines. The bay leaf trade in Uttarakhand is estimated at 1300 tonnes per year, including some 500 tonnes produced in Nepal – and is growing by around 5% per year. Between 2003 and 2007, the volume of bay leaf in the major wholesale markets in Uttarakhand increased by 40%, and the price by 61%.

Bay leaves (tejpat) (above)

Women discuss equitable distribution (left)

## Key issues in bay leaf value chains

Preliminary information on the bay leaf value chain was gathered through interactions and focus group discussions with key informants from public and private groups and principal stakeholders within the community. The value chain was mapped and analysed in detail to understand the functioning of the chain and the position of the target groups (collectors) within it. The major issues identified were low prices to collectors (IRs 10 per kg, equivalent to USD 0.20); destructive harvesting and lack of post harvest practices; and absence of value addition and market information linkages. The results also showed that the regulatory framework was unfavourable for the poor to participate in and gain from bay leaf value chains.

Bay leaves from government managed forests are auctioned. In general, the Forest Department issued collection permits to traders. Thus the local people were engaged as labourers by village contractors, who in turn were engaged by the downstream traders to collect bay leaves. The actual collectors lacked ownership and received a low price, which led to destructive collection practices whose aim was simply to collect as much as possible to obtain a higher income.



Women collectors bringing bay leaves

The nearest 'mandi' (auction yard) for non-timber forest products (NTFPs) is more than 200 km from the project area, thus the collectors were unable to participate in the auctions. Further, trading required additional functions like aggregation, storage, standardisation (which demands additional skills and capacities), transportation, and payment of different direct and indirect taxes, all of which hindered this being a viable option for collectors.

## Key policy interventions

ICIMOD and the stakeholders looked at ways of addressing the key issues identified, in order to create an enabling environment for the mountain people to gain equitable access to the bay leaf resources in the government forests, and to access the markets by participating in trading. The main interventions identified were readjusting good collection practices and making appropriate changes in the marketing policies.



**Access to bay leaf resources** – The Forest Department took the lead in issuing collection permits to the 'van panchayats' (village forest councils) instead of to traders. The van panchayats transferred the harvesting rights to women self help groups formed by the project, on the basis of a royalty of IRs 0.80 per kg paid to the Forest Department and 8% of the final price being paid to the Forest Development Corporation as handling charges. This process enabled the local people to participate as stakeholders and raised their interest in good collection practices aimed at sustainable management.

**Local quality control mechanism**



**Bringing markets closer to resources** – The Forest Development Corporation organised a local auction, or 'mandi', in the collectors' villages close to the resource to enable them to participate in the auction. This was the first time such an approach had been used in the state. The local NGO partners and the Forest Department facilitated the participation of buyers from outside the state by means of a previously negotiated informal purchase agreement, to break the cartels of local traders. The strategy was to 'reduce risks and increase benefits' for collectors, a core strategy adopted under ICIMOD's value chain approach.

## Outcomes

Following the focus on sustainable harvesting, collectors harvested only half of the trees in a season and only harvested leaves from the lower two-thirds of a tree, as laid down by the Forest Department. This will ensure sustainability of the resource. The women's self help groups and van panchayats monitored the process. Of the total harvestable yield of 50 tonnes estimated at the start of the project, 7.6 tonnes were harvested in 2009 and 12 tonnes in 2010.

The change in policies had a tremendous impact on household income. The contribution of bay leaf sales to annual household income increased from 2.3% before the project intervention (IRs 890), to 5.7% (IRs 2150) in 2009, and 15.4% (IRs 5850) in 2010. As a result of the local auctions, the collectors share in the bay leaf wholesale price increased from 20% to 40% in 2009 and 45% in 2010.

Just over half of the target group in the project area only produced sufficient food in a year to feed the family for three months, while most of the remainder produced sufficient food for four to six months. People work as labourers for government schemes and private contractors in order to meet their different food and non-food needs throughout the year. The pilot project ensured an additional income from bay leaves in 2010 that was enough on average to buy food for an additional two months. At the household level, both men and women benefited from this additional income in terms of food security, education, repayment of loans, improved clothing, and buying of other household items.

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## The project

**Strategic Partner:** Overseas Development Institute, UK

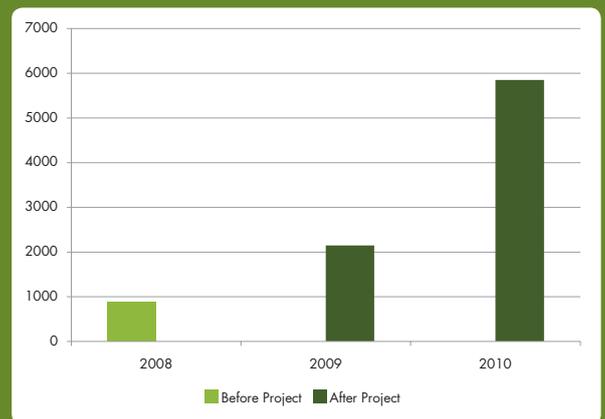
**Support Coordinator:** International Development Research Centre, Canada

**Implementing Partners:** Forest Department, Uttarakhand Himalayan Action Research Centre (HARC), Uttarakhand

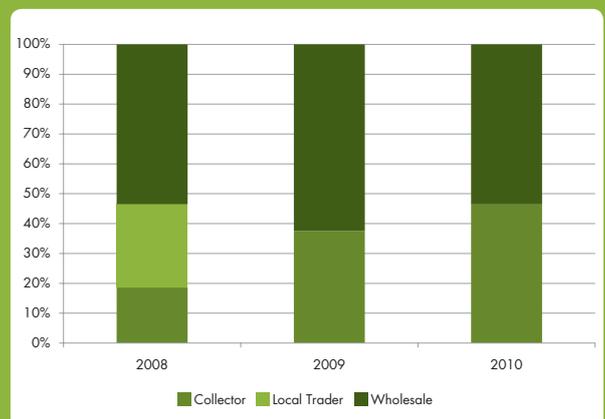
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Contribution of bay leaf to annual household income



Collectors' share of wholesale price





Bay leaf stakeholders meet to discuss community enabling strategies

## The Way Forward

It is common for poor people to be excluded from profitable participation in value chains. This increases their vulnerability; and often leads to environmental degradation as a result of market pressure and the wide inequalities. Action research implemented with key stakeholders with a triple focus on poverty, environment, and gender is thus relevant in the mountain context.

In the long term, it would be in the interest of the poor in Uttarakhand, if local mandis are further supported by an adequate number of collection and processing centres, storage facilities spread over the resource catchments with appropriate value addition possibilities like cleaning and grading, online auction notifications, and so on, keeping in focus the economies of scale. A further suggestion is to introduce a 'harvesting series' within the current collection areas with a rotation cycle involving the local communities and traditional institutions like the van panchayats to ensure access to high value products like bay leaves.

The short-term results of the pilot project indicate that value chain interventions at the upstream level can produce immediate benefits to collectors; reduce their vulnerability to many market risks; help develop group efforts for resource

management; improve bargaining power; and produce additional income to meet different household needs. The overall impacts of this action research can be seen in the empowerment of the local communities, enhancement of social and gender equity, the enabling shifts in policy, and integration of quality aspects leading to resource sustainability with resultant economic benefits. The lessons indicate the importance of promoting sustainable adaptation approaches for poor communities in remote mountain regions dependent on high value products. Specifically they will help Uttarakhand to realise its vision of becoming a 'Herbal State'.

### For further information please contact

**Dr RBS Rawat**

Principal Chief Conservator of Forests (PCCF)  
Forest Department, Uttarakhand  
pccf\_uta@yahoo.com raghubir22@hotmail.com

**Mr Mahendra Singh Kunwar**

Secretary, Himalayan Action Research Centre (HARC), Uttarakhand  
harcindia@gmail.com

**Dr Giridhar Kinhal**

Team Leader High Value Products and Value Chains, ICIMOD  
gkinhal@icimod.org



Household level collective effort

**Photos:** Project team

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**International Centre for Integrated Mountain Development**

GPO Box 3226, Kathmandu, Khumaltar, Lalitpur, Nepal

Tel +977-1-5003222 email [info@icimod.org](mailto:info@icimod.org) [www.icimod.org](http://www.icimod.org)

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