CHAPTER - 6

IMPORTANCE OF PLYWOOD INDUSTRY IN ECONOMY

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INTRODUCTION

The growth of industry in the country resembles the development of country. The growth of plywood industry also make an impact of the country economy, but here it is necessary to say that plywood industry of Raipur division does not impact on the growth of country economy's because industry in Raipur division are completely small scale with single proprietor ship and partnership, no public limited company are found in this division, as the study has been made only on the division basis therefore it is not justify to say here that plywood industries of Raipur division make any contribution in country economy.

India, the largest democratic republic of the world, has the seventh largest area (328.73 million has.) and second largest human population (more than 1.00 billion) with about 2.5% of the world's geographical and 1.8% of the forest area, the country at present is supporting 16% of the world's population and 18% of the domestic cattle population, amounting to about 500 million.

The forest and tree cover of the country as reported in the state forest report 2003 published by forest survey of India was 23.68% of the geographical area of the country, comprising 20.64% of the forest cover and 3.04% tree cover.
Very dense forest, moderately dense forest, open forest and mangroves constitute 1.56%, 10.32%, 8.76% and 0.14% of the geographical area respectively. Among these states, Chhattisgarh accounts for 11.27% of the forest cover of the country, followed by Arunachal Pradesh (10.03%), Orissa (7.13%), Maharashtra (6.91%) and Andhra Pradesh (6.55%).

Forestry and agriculture are the two most important land uses in the country, the latter competing with the former under relentless pressure of an even increasing population, which has grown from 361 million in 1951 to 1028 million in 2001. The per capita availability of forest has, thus, declined to a poor 0.08ha, which is one the lowest in the world.

Deforestation has become a major environmental concern, as it can destabilize the earth’s temperature, humidity, and carbon dioxide levels. As per formal estimates, forestry and logging contributes roughly 1.5% of the total GDP of the country. However, since most of the trade and use of forest product is informal and if one takes into account all the kinds of removals of forest production, the estimate of the contribution from forest is greatly enhanced.

It increases even further if the non tangible benefits, e.g. ecological services of which there has been renewed interest and increasingly demand in recent years, are also taken into consideration.

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Forest is increasingly being looked upon as major performers in poverty alleviation programmes. Prior to 1988, many panel wood and match industries were granted concessional and assured supply of wood. Marking of tree for selection felling was done in accordance with prescription under approved scientific management plans (working plans); extraction and transport were done under the control and supervision of the forest department. Similarly, the pulp industries were granted bamboo and pulpwood from the natural and manmade forests respectively by the forest department.

These industries did help department in maintaining health and hygiene of forests, fire protection, natural regeneration, raising and supply of seedlings etc. These concessions were withdrawn after the new national forest policy was announced in 1988. The pioneering efforts to raise quality for supply to farmers with assurance of buy back timber at an assured floor price was made by a leading match industry in N.India around 1981. From 1983 onwards, many pulp, and plywood industries have seriously taken up promotion of farm forestry, tree improvement through clonal and micro-propagation harvesting method etc.

The enthusiasm and efforts by plywood industries were less due to the long gestation period required for trees to reach economic sizes required by them. Moreover, the liberalized policy of importing timber with drastically reduced customs, duties was an easier option for them.
The National Forest policy did force the wood industries to get supplies from farm trees with no regard to the obstacles faced both by the farmers and industries in respect of A) ceiling on land holdings, B) land tenure laws, C) credit policy, D) legal obstacles under the forest act and rules and E) protection of investments by coverage of insurance etc. Tax concessions were deemed necessary and made in the import policy but not in indigenous production of wood both in the farms and forests.

Large amount of soft loans have been permitted with security provided by the government for greening of wastelands, even when the returns from the schemes are highly doubtful. No such incentives are available to the industries in the Private or joint sectors.

6.1 CONTRIBUTION IN RAIPUR DISTRICT ECONOMY

As plywood industries is small scale industry and it is specially a labour based and intensive industry, there labour has good opportunity and complete 12 month job available for them without idle. As study made on 10 industrial plywood units from 1995-1996 to 2005-2006, development of industrial units was good. It represent that work opportunities for the worker of plywood industries and growth rate was good.

But for the period 200-2003, and 2003-2004 growth was constant which show lack of financial support and shortage of material supply. But even though in this year there was no effect in production.
6.2 CONTRIBUTION IN FOREIGN MARKET

Plywood industries of Raipur division specially M/s Swastik Panel (Raipur district), Ajanta wood products (Rajnandgoan), Hitech Boards (Rajnandgoan), Mahavir laminates (Raipur district), Bhagat wood products (Raipur district) they all produce the goods of export quality with ISO and ISI standards but no industries of plywood industries make any contribution in foreign market.

In fact we can say that as per study on 10 sample units the percentage of foreign market share in plywood industries is nil. The basic reason is the investment and consumption of plywood are itself sufficient to supply to neighbour states like Andhra Pradesh, Maharastra, Gujarat, Orissa and other states.

But if we observe in plywood industries in total of India i.e. other states except the state of Chhattisgarh, supply their production and decorative variety like doors, panels, decorative bonded plywood, ceiling tiles, sound proof boards in country like Malaysia, Korea; plywood is generally exported to Nepal, Srilanka, Iraq, Kuwait, Sudan, Abu Dhabi, Muscat, Oman, United Kingdom and West Germany.

The share of export of plywood from Chhattisgarh has that of all India’s aggregated is like to nil due to non availability of plywood at reasonable price and delayed acceptance of materials supply and loan policy.
6.3 ROLE OF GOVERNMENT

As the contribution of plywood market in Raipur division for export to Foreign Countries is nil, therefore government should impart to take necessary steps for the reduction of Excise duty, VAT, and provide a loan for the installation of purchasing a good machines for good technology and therefore if Federation of Indian Plywood and Panel industry chairman Mr. Sajjan Bhajanka\textsuperscript{2} has sent a letter containing details of concerns and bottlenecks of the Indian panel industry. The letter has been sent to hon'ble Minister of states for Finance of government of India, Mr. Pawan Kumar Bansal.

The major concern of the request is about seeking waiver on Excise duty. A similar letter was sent last year highlighting the loss to the trade and economy due to Excise tax.

Last year some changes were noticed in the union budget about Excise duty of the related categories that led to manufacturer believes duty reduction to 8%. After the notification also lot of confusion in reduction of Excise duty remained that lasted for a month. It was heard in the industry circles that serious efforts are going on towards reducing the Excise duty.

It is often talked that Indian plywood industry can grow many folds and can give immense boost to the economy if it is given some benefits.

\textsuperscript{2} B.H.Patel.,Current development in export of timber and allied products, paper Development of Indian plywood and Panel Industry., IPIRTI Bangalore
With the plywood and panel production turning into an agro-based industry, the plywood producers and farmers are continuously raising their voices where a little upliftment can create manifold growth.

In the letter\textsuperscript{3} to finance ministry Mr. Bhajanka has stressed upon the importance of plywood industry in economy boom. After cement and steel, plywood and panel processing industries are the biggest contributors writes FIPPI Chairman Mr. Bhajanka has appealed to the ministry to reduce Excise duty on plywood and panel industry from 16\% to 0\%.

The letter writes that “plywood industry is essentially an agro forestry based industry and yet is harshly deprived any central government policy directives, incentives and funding to promote it. Contrary to that and 31\% and OCTROI is imposed addition to that other products from agriculture attracts zero Excise and VAT.” The biggest impediment is the high rate of Excise duty and VAT on plywood and panel products.

In the year 2002 the supply of timber was more than the demand and more support to the farmers and promoting plywood and panel industry was the need of hour. Instead of boosting more ways to consumption and encourage plantation, hon’ble Supreme Court

\textsuperscript{3} Plywood Gazette by plywood association, New Delhi.
responded by imposing requirement of prior consent from CEC before putting new plants.

The letter says that after this blanket restriction, CEC has granted permissions to 6 units in Uttaranchal as of our knowledge. As a result, the forest cover the states of Haryana and Punjab sharply declined from 1754 km$^2$ to 1517 km$^2$ and 2432 km$^2$ to 1517 km$^2$ respectively in the year 2003 as compared to 2001 and it is continuously declining thereafter.

FIPPI chairman letter writes, “The biggest impediment to the growth of plywood and panel industry in India is the high rate of Excise duty and VAT on plywood and panel products.” Earlier repeated appeals are made by FIPPI members to ministry to reduce Excise duty from 16% to 0%.

At the heart of the plea is the authenticity that the ply industry is essentially an agro based industry and yet is harshly deprived from any central government policy directives, incentives and funding to promote it. Contrary to that the cumulative effect of Excise and VAT on plywood is around 31% and Octroi is imposed in addition to that, where as other agriculture products attracts zero Excise and VAT.

If our government does not come into action immediately the country would face acute scarcity of timber during next 5-6 years due to no fresh plantation because of wrong policies adopted in the immediate past and it may be late to save the ply and panel industry.
6.3.1 GOVERNMENT CONTRIBUTION IN SMALL SCALE SECTOR

The small scale sector has acquired a prominent place in the socio-economic development of the country since independence. It has contributed to the overall growth of the Gross Domestic Product (GDP) as well as in terms of employment and exports. As per the Third All India Census of SSIs (Registered and Unregistered units) held for the year 2001-2002, there were 105.21 lakh SSI units in the country, out of which 13.75 lakh were registered working units and 91.46 lakh unregistered units.

Their\textsuperscript{4} contribution to production was Rs. 282270 crore and to employment at 249.09 lakh persons. It is estimated that during 2003-04 the number of SSI units has increased to 115.22 lakh from 110.10 lakh in the previous year registering a growth of 4.7\%, the value of production at current prices by the SSI units also increased by 11.6\% to Rs. 348059 crore from Rs. 311993 crore during 2002-03.

The sector is estimated to have grown at the rate of 7.5\% at constant prices over the previous year. Employment is estimated to have increased to 273.97 lakh people from 261.38 lakh persons in the previous year industrial sector in the past few years consistently. It is contributing

\textsuperscript{4} Rao, R.V., Small Industry and the Developing Economy of India;
significantly towards the economic growth of the nation with over 39% of the industrial production and nearly 34% of direct exports.

The sector has emerged as an engine of growth in the new millennium. In recognition of this role, the SSI sector has been assigned targets of 12% annual growth in production and creation of 4.4 million additional employment opportunities in the Tenth Five year plan.

The investment limit for the SSI sector continues to be Rs. one crore. The ministry of SSI has brought out a specific list of hi-tech and export-oriented industries whose investments limits is raised up to Rs five crore to facilitate suitable technology up gradation to enable them to maintain a competitive edge. The exemption from Excise duty for SSI sector continues to be Rs. one crore.

The limit for providing guarantee cover to collateral free loans under the Credit Guarantee Scheme has been raised to Rs. 25 lakh. The integrated Infrastructural Development (IID) Scheme has been extended to cover thee entire country with 50% reservation for rural areas.

The funds available under the non-lapsable pool for the north-east are being used for setting up incubation centers for cluster development and for the IID scheme. SIDO has modified the Marketing Development Assistance (MDA) programme and introduced a SSI-MDA Scheme, providing financial assistance to units adopting bar-coding.
6.3.2 HIGHLIGHTS OF UNION BUDGET FOR AGRO BASED

2004-05

According to the review of union budget 2004-05 Eighty five items to be taken out of the SSI reservation list. Ceiling for loans under the Credit Linked Capital Subsidy Scheme enhanced from Rs. 40 lakh to Rs. one crore. The rate of subsidy also rose from 12% to 15%. In order to promote agro-processing industries, deduction of 100% of profits allowed for 5 years and 25% of profits for the next 5 years in the case of new plywood industries.

The opening up of the economy has exposed the SSI sector to global and domestic competition. With a view to enhancing the competitiveness of this sector, the government has taken various measures, which include: (a) Assistance to industry associations/voluntary agencies to set up testing centre, (b) Field testing stations provide testing services and services for quality Upgradation, (c) under the integrated technology upgradation and management programme 59 clusters have been taken up, which include national programme for the development of toy industry, stone industry, lock industry, machine tool industry and hand tool industry taken up in collaboration with UNIDO; (d) under the scheme of promoting ISO 9000/14001 Certification, SSI units are given financial support by way of reimbursing 75% of their expenditure to obtain certification subject to a maximum of Rs. 75000:
(e) under the credit linked capital subsidy scheme for technology upgradation, 15% capital subsidy is admissible on the loans up to Rs. one crore, advanced by Scheduled commercial banks / SFCs/ NSIC to SSIs for technology upgradation; and (f) setting up of biotech cell in SIDO.

6.3.2.1 CREDIT DELIVERY TO SSI SECTOR

To ensure credit delivery to the SSI sector, the following steps have been taken by the government: (i) the composite loan limit have been raised from Rs. 25 lakh to Rs. 50 lakh: (ii) the limit of collateral free loans has been raised from Rs. 5 lakh to Rs. 15 lakh and up to Rs. 25 lakh in case of SSI units with a good track record: (iii) Laghu Udyami Credit card (LUCC) scheme has been liberalized by enhancing the credit limit from Rs. 2 lakh to Rs. 10 lakh, for borrowers having a satisfactory track record: (iv) Incorporating credit requirement in the identifying clusters in the banks annual credit plans for the year 2003-04: (v) Adequate publicity by the banks to the various schemes facilities extended to the SSI sector like availability of collateral-free/ composite loan: (vi) As per the announcement made in the union budget 2003-04, Indian bank association (IBA) has advised the banks to adopt the interest rate band of 2% above and below their prime lending rates (PLRs) for advance to SSI: and (vii) The government announced on 9th January 2004 creation of a small and medium enterprises (SME) Fund under SIDBI initially of Rs. 10000 crore to address inter-alias the problem of inadequacy of financial
resources at competitive rates for the small scale sector. The fund has been operationalised by SIDBI from 1\textsuperscript{st} April 2004.

6.3.2.2 MEASURES FOR EXPORT PROMOTION

Export promotion from the small scale sector has been accorded a high priority in the India’s export promotion strategy. It includes simplifications of export procedures and provides incentives to the SS sector for higher production to maximize export earnings. Following schemes has been formulated to help SSIs in exporting their products: (i) Products of SSI exporters are displayed in international exhibitions and the expenditure incurred is met by government; (ii) to acquaint SSI exporters with latest packing standards, techniques, etc. training programmes on packing for export are organized in various parts of the country, in association with the Indian institute of packing: (iii) the SSI-MDA scheme offers funding for: individual assistance for participation in overseas fairs exhibitions and individual overseas study tours, or tours of individuals as member of a trade delegation going abroad.

The scheme also offers assistance for sector specific market studies by industry Association / export promotion councils/ federation of Indian export organization: initiating/ contesting anti-dumping cases by SSI association: and 75% reimbursement of expenses incurred on adopting bar coding by EAN India up to Rs. 20000.
There have been marginal R&D efforts both in industry and at institutional level. However, planned R&D thrust has been lacking and entrepreneurs still have to depend on foreign collaboration for the future projects.

Plywood manufacturing technology based on wood and wood wastes is well absorbed in the country. Most of the existing plans have developed the necessary expertise to utilize conventional wood species for production of particle board. However, major items of plant and machinery are being imported for plans of capacities higher than 20 TPD. Indigenization to the extent of 20-25% has been achieved for the latest plants being set up. Major items indigenized are dryers, material handling equipment, instrumentation, electrical etc.

6.4 RESEARCH AND DEVELOPMENT CENTRE

R&D infrastructure has to be laid on a strong footing in a planned manner. Facilities are being upgraded at IPIRI, Bangalore which could be further expanded to take care of the long term R&D requirements of the reconstituted panel industry and its role redefined. Alternately setting up of a national R&D institute may be considered with enhanced scope of activities encompassing R&D and technology trading.

The purposed institute operations may be managed in a manner so that it becomes self sufficient by ploughing backs profits and royalty accruals to support its research programs.
6.4.1 TECHNOLOGY ACQUISITION

Foreign collaboration for technology acquisition in specialized areas may continue. Once the requisite technologies have been developed, the need for collaboration may cease and only specific components of technology may need to be imported. The factors influencing the choice of technology, equipment and collaborator are:

- Experience in the line
- Cost of equipment and services,
- Energy, utilities, resins and other inputs per tonne of end products.
- Feed back on the experiences in similar projects from the entrepreneurs elsewhere in the world.

6.4.2 PROCESS DEVELOPMENT

R&D projects may be taken up for the raw materials identified through studies for exploitation of their potential to substitute timber. Complete process technology for collection, transportation and storage of materials and product manufacture should be developed along with basic engineering data. The successful laboratory projects should be further tried out on pilot scale for incorporating the technology developments in equipment and their application to actual projects.
6.4.3 RESEARCH INSTITUTE FOR PLYWOOD INDUSTRY

New application development projects may be taken up. One of the areas could be developing of lingo cellulosic fibre and engineering plastic composites for use in consumer durables and industrial goods. Such R&D projects may open up new areas providing substitutes of petroleum product imports are being made.

For the New enter penury in plywood industry and also for training a worker to work in the plywood industry. Following centers has been established.

- The Indian plywood industries research and training institute (IPIRTI), Bangalore.
- Indian institute of forest management (IIFM), Bhopal.
- Indian council of forestry, research and education (ICFRE) Dehradun.
- Forest research institute (FRI), Dehradun.
- Indira Gandhi national forest academy (IGNFA), Dehradun

6.4.3.1 THE INDIAN PLYWOOD INDUSTRIES RESEARCH AND TRAINING INSTITUTE (IPIRTI), BANGALORE.

The IPIRTI established in 1961-62 as a central research laboratory of Indian Plywood Manufacturer Research Association under the Cooperative Research scheme of the government of India from out of the
funds provided by CSIR and voluntary contribution from the plywood industries, got converted into an autonomous body of the ministry of industry. Subsequently, the institute was transferred under the administrative control of the ministry of environment & forests 1-5-1990. Now on IPIRTI is an autonomous research and training institute under the ministry of environment & forests, government of India.

The mandate of IPIRTI is to conduct research and training on all aspect related to production of Plywood and other panel products from wood and other lingo cellulosic materials. Joint effort of IPIRTI and industry made the wood panel industry self reliant with respect to technologies, machineries, equipment, standardisation of process and products, multidisciplinary and applied research projects based on problems identified by the institute, industries and other interested organizations are taken up.

‘Inspection, certification and making’ of all forest products viz. Plywood, particularly chipboard, furniture, panel door, black board, composite boards is one of the importance mandate of the institute.

The institute vision is conservation of natural forest through development and adoption of efficient technologies for manufacturing wood alternative and panel products from renewable fibre, agro-waste including plantation timber and bamboos in particular to meet the vital needs of developing society.
The important goals of the institute are:-

- Rationalizing the utilization of available wood resources through appropriate technological interventions.
- Development of wood alternatives from other natural renewable fibers.

The institute has 45 ongoing research projects including 11 sponsored projects, classified into three categories namely:

- Wood composites.
- Non-Wood composites.
- Solid Wood.

6.4.3.2 INDIAN INSTITUTE OF FOREST MANAGEMENT (IIFM), BHOPAL.

The Indian institute of forest management (IIFM), Bhopal was established in 1982 as an autonomous organization under this ministry. The objectives of the institute are to provide training in forest management and related subjects to government and non-government personnel; to select and prepare outstanding and talented young persons for careers leading to management responsibilities in forestry sector; and to updating information on forestry management through undertaking research and consultancies and publication of reports.
The activities of the IIFM fall under four realms viz. education, training, research and consultancy. Highlights of the activities carried during the year are as follows.

The research programmes of the institute are focused on applied and multidisciplinary research on forest and natural resource management. The projects lay emphasis on sustainability of natural resource and benefit flow to the disadvantaged communities dependent on the forestry resources.

During the year 12 research projects have been completed, and other 8 projects are in progress. Majority of this project has been funded by the national and international agencies. Internal resources are also used to fund a few projects.

The institute bagged 6 consultancy assignments from national and international organization on a wide range of topics till 2003. The topics of consultancy assignments include sustainable management of NTFP by Maharashtra State Forest Department, study on raw material from forest and agricultural based resource by ministry of textiles, sustainable management of bio resources for livelihood security through people’s participating by department of bio-diversity and bio-technology, govt. of M.P. and Timber Market Study by ITTO Roman Forum Italy.
6.4.3.3 INDIAN COUNCIL OF FORESTRY, RESEARCH AND EDUCATION (ICFRE) DEHRADUN

The Indian council of forestry, research and education, Dehradun organizes and manages research, education and extension in the field of forestry. To disseminate latest findings in forestry research, a no. of training courses of different duration’s were conducted in ICFRE institutes.

6.4.3.4 FOREST RESEARCH INSTITUTE (FRI), DEHRADUN

The forest research institute (FRI), (deemed university) is actively engaged in conducting regular course of M.S&PG diploma in various disciplines i.e. plantation technology, pulp and paper technology, biodiversity conservation, forest (economics and management )wood science and technology etc. Apart from this FRI conducted refresher course in forestry from 10th to 30th September 2003 in which lecturers & associate professors of forestry of various universities/ colleges in 14 states participated.

6.4.3.5 INDRA GANDHI NATIONAL FOREST ACADEMY (IGNFA), DEHRADUN

Indira Gandhi national forest academy (IGNFA) was constituted in the year 1987 by remaining the erstwhile Indian Forest College.

The academy has the mandate to impart initial in-service professional training to the IFS (probationers) and professional skill
upgradation courses for the officers promoted from the State Forest Service (SFS) to the Indian Forest Service.

The brief activities of the academy during the year are as follows:

**Initial in service professional courses**

- Twenty five (IFS) (P) including 7 lady officers of 2000-03 batch completed advanced phase of training.
- 22 IFS (P) of 2001-04 batch (including 9 lady officers) are undergoing ‘on-the-job Training’ (OJT) in different state and UTs before completing the advanced phase of training at IGNFA.
- 27 IFS (P) of 2002-05 batch (including 5 lady officers) and two foreign trainees from Bhutan are undergoing professional phase training.
- Thirty two IFS (P) of 2003-06 batch (including 6 lady officers) and two foreign trainees from Bhutan are undergoing professional phase training after completion of Foundation course.

**Professional skills upgradation courses**

- One 10 week course was organized for 13 offices promoted from SFS to IFS.

**In Service refresher courses**

- During the year, refresher course was conducted on “policy and Legal Issues” in which 21 IFS officers participated.
Advanced Forest Management Course for Officers having 10, 17 & 21 years of Service

- Organized three two-week training programmes for the Officers of 1982 batch.
- Conducted five two-week training programmes for the officers of 1986 batch.
- Organized two three-week training programmes for the Officers of 1993 batch, one was held in May, 2003 and the other in December, 2003-January 04. Seventh Senior Foresters Workshop was organized for officers of 1978 batch in which 25 Officers participated. The issues deliberated upon were National Forestry Commission, 'State Level Cadre Management for IFS Officers – Gaps and Needs', 'Training thrusts and need for IFS (probation) and review and 'Eco-tourism-policy and guidelines'.

Application courses which also include brief exposure to remote sensing and geographical information system applications. The duration of the courses is two weeks for officers of the rank of Divisional forest officers and assistant conservators of forests. The courses were conducted in the following areas:

- Computer applications in forestry (Basic)
- Computer applications in forestry (Advanced)
- General Refresher Courses
Theme Based Courses

- Joint Forest Management and Sustainable Development
- Biodiversity Conservation and Watershed Management
- Project Formulation and Environmental Impact Assessment
- Policies and Legal Issues and International Conventions
- Special Course in Forestry for the senior executive of the National Thermal Power Corporation.

Other activities include

The syllabus committee constituted by the Board of forestry education and training has completed the task of revision of "rules and syllabus for the state forest service officers and range forest officers training courses and syllabus for the foresters and forest guards training courses".

The newly proposed syllabus has been approved by the board of forestry education and training of the Government of India and it has been circulated to the principal chief conservators of forests of states and UTs for their comments before the same notified. These rules are proposed to be made applicable from the academic sessions starting 2005.

A component of the forestry training project has implemented to assist the government's effort to reform the systems and practices of training in India with a view to raise the quality of training imparted at various levels. The project includes capacity building of SFS collage and
rangers training collage as "DFE Component" along with establishing a national network for exchange of training material and practices covering over 54 forestry training institutes (FTIs) run by both the GOI and the state/UTs.

Under the DFID project, 12 faculty members from the directorate of forest education underwent competency based training (CBT) in United Kingdom.