



# A Comprehensive Overview on Agriculture Marketing Support Networks of Nepal

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## ABSTRACT

This study is conducted with the major objective to comprehend the contributions of the major entities involved in the promotion of agriculture marketing system in Nepal. The information used in this study is collected from various secondary sources such as published reports, articles and official websites of respective organizations. This study found that various government agencies, non-government agencies, boards, federations, cooperatives and farmers groups are involved in the promotion of agriculture marketing in Nepal. However, the coordination or linkages between these organizations for the common target of promoting agriculture marketing in Nepal was found limiting. Hence, in the context of three tier federal model of governance based on the spirit of Constitution of Nepal (2015) the federal ministry of agriculture should take leadership in formulating and implementing such agriculture marketing promotion policy that unites their efforts and share roles to every tiers of governments, private sector, cooperatives, farmer groups and other concerned stakeholders.

**KEYWORDS:** Agricultural marketing, federal model, Nepal, organizations, unites

## 1. INTRODUCTION

Agriculture is one of the key driver of Nepali economy which contributes 23.95 % on the Gross Domestic Product (GDP) and provides employment to 60.4% of the total population of the country (MoALD, 2023). Agriculture marketing involves a wide range of operations connected to the acquisition, sale, and distribution of agricultural products. The agriculture sector is a key driver of Nepal's economic growth and has been regarded as a high priority area for national development since the sixth five-year plan

The purpose of the market is to facilitate honest and open trading between vendors and farmers, not to showcase architectural structures. Only stable supply, high quality, competitive prices, improved post-harvest management and effective export are possible with the right marketing mechanisms (BPRC, 2017).

Nepal is a hilly nation with high hills and isolated mountains covering the majority of its land. According to MoALD (2023) the hilly and mountainous area contribute 42% (61345 km<sup>2</sup>) and 35% (51817 km<sup>2</sup>) respectively out of the total area of Nepal. FAO (2007) claimed that this steep slope and mountainous locations is responsible for the poor physical access to agriculture markets that limits the private sector's participation in the trade of food commodity in Nepal. Promotion of agriculture marketing is very crucial for the development of agriculture sector of any country including Nepal. The Government of Nepal had formulated several policies such as National Agricultural Policy (2004), Agribusiness Promotion Policy (2006), Agriculture Development Strategy, (2015) and so on for the promotion of agriculture marketing in the country. After the promulgation of Constitution of Nepal (2015) and transformation of country into three tier federal model from unitary state the provincial governments and local governments are also formulating and implementing several policies for the promotion of agriculture marketing within their command area based on the spirit of constitutional boundary. In addition to it, several non government organizations are also working parallelly with government to create complementary effect for the promotion of agriculture marketing in Nepal. In this context, this study is conducted to comprehend the roles and functions of major organizations involved in the promotion of agriculture marketing in Nepal based on the secondary sources of informations.

## 2. METHODOLOGY

The foundation of this study is based on the secondary sources of information. In this study, the roles of major organizations in the promotion of agriculture marketing of Nepal is analyzed based on the published reports, articles and official websites of respective organizations.

### 3. RESULTS AND DISCUSSION

In this study, following governmental and non-governmental organizations were found to be actively participating in the development of Nepal's agriculture marketing sector from the review of secondary sources.

#### 3.1 MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT (MOALD)

Effective and efficient agriculture marketing strategy is very important for ensuring farmers to obtain fair prices for their produce, easing market access and supporting overall economic development of country. In this context, MoALD plays a very important role for the promotion of agriculture marketing in Nepal. Some of the major roles (Figure 1) of MoALD for the promotion of agriculture marketing in Nepal are as follows.

##### 3.1.1 Policy Formulation

Creating policies and strategies to increase agricultural productivity, assure food security and encourage environmentally friendly farming methods.

##### 3.1.2 Market Access

Enabling farmers to sell their produce in markets and encouraging value addition in the agriculture and livestock sectors.

##### 3.1.3 Programs monitoring and supervision

Implementation of different agricultural and livestock development projects for the benefit of farmers and rural communities.

##### 3.1.4 Research and Development

Supporting research endeavors to improve agricultural practices, crop types and livestock breeds which ultimately promotes the agriculture marketing system.

##### 3.1.5 Trade facilitation

Addressing trade barriers, negotiating trade agreements and maintaining conformity with international standards to facilitate international and inter-regional trade in agricultural products.

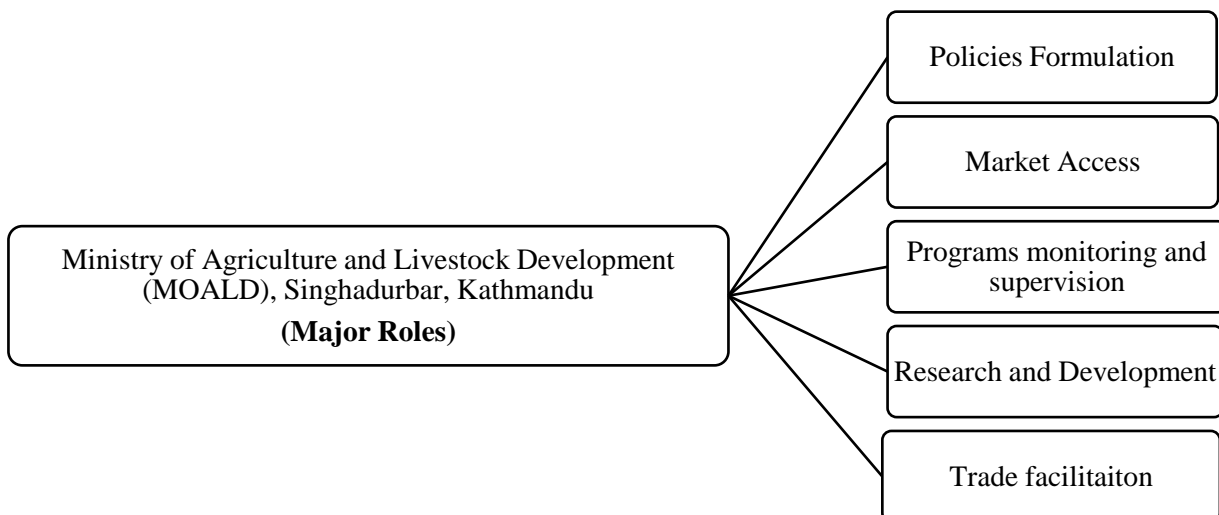


Figure 1: Major roles of MOALD in promotion of agriculture marketing

Source: Self illustration based on the information obtained form its official website.

### 3.2 PROVINCIAL AGRICULTURE MINISTRIES (PAM)

After the promulgation of constitution of Nepal (2015) and transformation of country into federal model from unitary model of governance had led to formation three tiers of government i.e. Federation, Province and Local Level. The current federal structure has seven provinces in Nepal. There is a provision of one ministry in each provinces that look after agriculture affairs in the provinces based on constitutional boundaries.

Some of the major roles (Figure 2) of provincial agriculture ministries (Table 1) for the promotion of agriculture marketing in Nepal are as follows.

#### 3.2.1 Province Level Policy Formulation

Formulation of provincial agriculture policies and initiatives to boost agricultural productivity and maintain food security in province.

#### 3.2.2 Market Access

Improving the access of the farmers to sell their produce in markets and boosting value upgrading of agriculture and livestock products in the province.

#### 3.2.3 Programs implementation, monitoring and supervision

The provincial ministries monitors, supervise and implements the agriculture programs in the province.

#### 3.2.4 Establishment of market infrastructures

The provincial agriculture ministries were also found establishing several market infrastructures such as cold storage, cold chambers, hat bazar, and collection centers and so on.

Table 1: Provincial Agricultural Ministries (PAM) and their respective websites (2023)

Province	Name of Agriculture Ministry	Website
Koshi	Ministry of Industry, Agriculture and Cooperatives	<a href="https://moiac.koshi.gov.np/">https://moiac.koshi.gov.np/</a>
Madhesh	Ministry of Land Management, Agriculture & Cooperative	<a href="https://molmac.madhesh.gov.np/">https://molmac.madhesh.gov.np/</a>
Bagmati	Ministry of Agriculture and Livestock Management	<a href="https://molmac.bagamati.gov.np/">https://molmac.bagamati.gov.np/</a>
Gandaki	Ministry of Agriculture and Land Management	<a href="https://molmac.gandaki.gov.np/">https://molmac.gandaki.gov.np/</a>
Lumbini	Ministry of Agriculture and Land Management	<a href="https://molmac.lumbini.gov.np/">https://molmac.lumbini.gov.np/</a>
Karnali	Ministry of Land Management, Agriculture & Cooperative	<a href="https://molmac.karnali.gov.np/">https://molmac.karnali.gov.np/</a>
Far West	Ministry of Land Management, Agriculture & Cooperative	<a href="http://molmac.p7.gov.np/en">http://molmac.p7.gov.np/en</a>

Note: The information on this table is collected from the respective websites of ministry mentioned above which is accessed on December, 2023

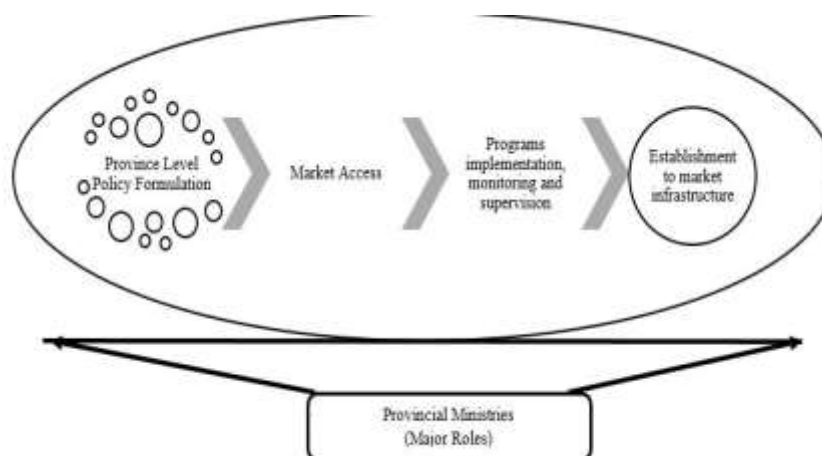


Figure 2. Roles of Provincial Ministries in promotion of agriculture marketing

Source: Self illustration based on the informations from the websites of the respective provincial ministries

### 3.3. AGRICULTURE AND LIVESTOCK SECTION OF LOCAL LEVELS

The formation of three tiers of government based on the spirit of Constitution of Nepal (2015) leads to establishment of 753 local governments in the country. In each local level there is the provision of Agriculture and Livestock section. This section is the closest government entity to bridge farmers with government in current Federal Model of governance. These agriculture section helps in promotion of agriculture marketing by policies formulation, implementation, monitoring and evaluation at local level. In addition to it, they assist in effective implementation of Federal and Provincial government programs related to promotion of agriculture marketing within their politically divided command area. The figure 3 below more clearly reflects the major roles of local government in the promotion of agriculture marketing in Nepal.

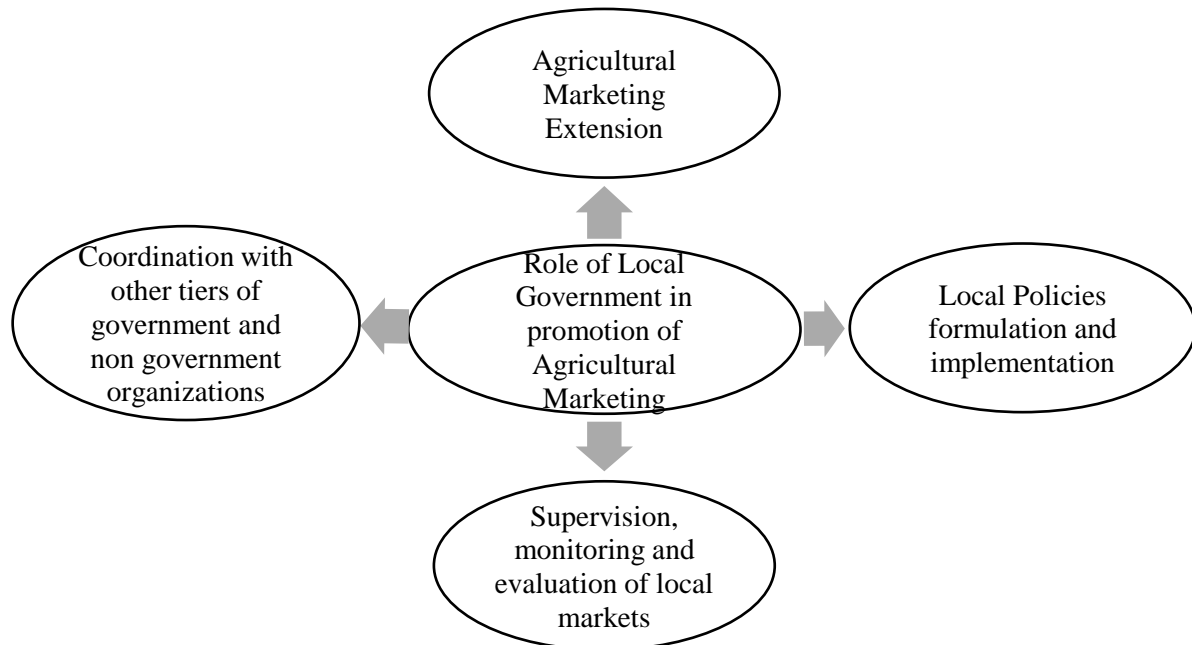


Figure 3. Roles of local government in promotion of agriculture marketing

Source: Self illustration based on the informations from the websites of the some representative local levels.

### 3.4 NATIONAL COOPERATIVE DEVELOPMENT BOARD (NCDB)

In Nepal, Cooperative Act and Cooperative Rules were established and applied in 1992 at the beginning of eight five year plan. During this time, the National Cooperative Development Board was established by dissolving the Sajha Central Office and it was accorded permanent status by Parliament based on the National Cooperative Development Board Act, 1992 (Poudel and Mamoru, 2015; Paudel, 2023). Bhattarai and Pandit (2023) had claimed cooperative as one of the important pillar for increasing the agriculture production and marketing in Nepal.

The National Cooperative Development Board Act (1992) governs how the NCDB operates. The main function of NCDB is to assist government in the formulation and implementation of policies related to cooperative in Nepal. The details roles of NCDB in promotion of agriculture marketing in Nepal through the promotion of cooperative sector such as promotion of cooperative marketing approach, Cooperative farming approach, cooperatives managed MIS<sup>1</sup> and so on. The figure 4 more clearly shows the major functions and roles of NCDB in promotion of agriculture marketing in Nepal.

<sup>1</sup> MIS indicates Market Information System

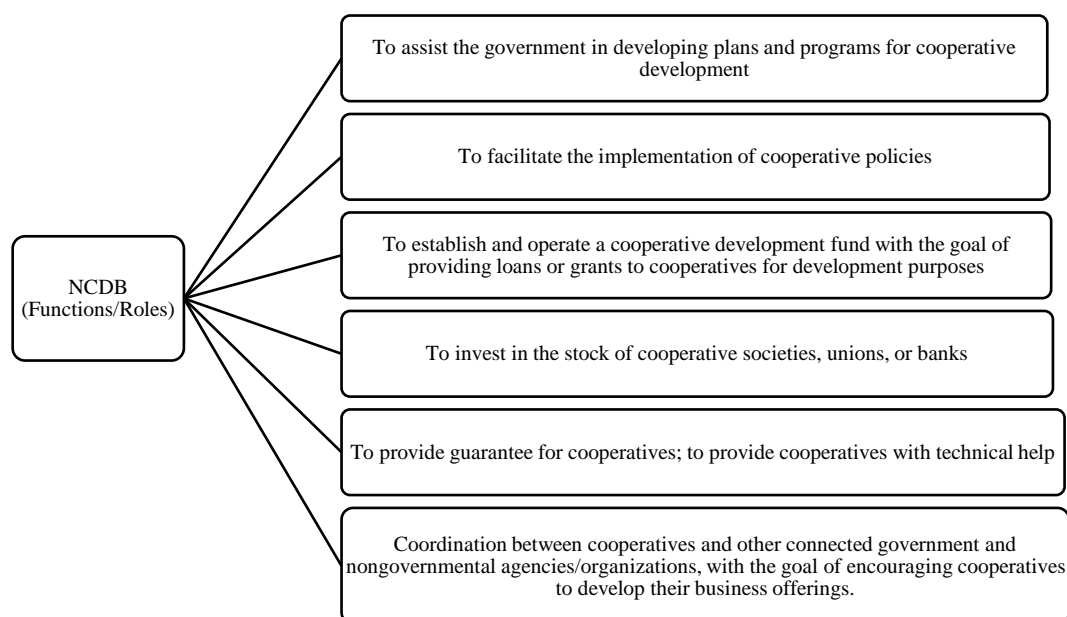


Figure 4: Roles of NCDB that improves agriculture marketing through promotion of cooperatives

Source: Self illustration based on information from (National Cooperative Development Board Act, 1992)

### 3.5 AGRICULTURE SECTOR DEVELOPMENT PROGRAMME (ASDP)

The Agriculture Sector Development Programme (ASDP) is a collaborative project of the Government of Nepal (GoN) and the International Fund for Agricultural Development (IFAD) with a six-year implementation period that initiated on June 4, 2018. The Program was approved on December 11, 2017 with completion and closing dates of June 30, 2024 and December 31, 2024, respectively. The Federal Ministry of Agriculture and Livestock Development (MOALD) is the Lead Programme Agency (LPA). The Program intends to conduct activities in close collaboration and coordination with state and municipal (local level) administrations. The organization's long-term aim is to "contribute to the achievement of Nepal's SDG 1<sup>2</sup> and SDG 2<sup>3</sup> targets by reducing poverty and nutrition insecurity amongst women and men in hill and mountain areas of Karnali province" (IFAD Mid Term Review Report, 2021). Agriculture Sector Development Programme (ASDP) is a continuation of the High Value Agriculture Project (HVAP) for Hill and Mountain Areas building on its successful experiences and learning and it works for meeting Agriculture Development Strategy (2015) vision components targets.

According to IFAD Mid Term Review Report (2021) most progress has been made in the inclusive and sustainable agriculture value chains sub-component (10.1% against estimated costs), followed by participatory and pluralistic extension service development (6.6%), nutrition (3.4%), farmer engagement in value chain development (3.2%), community-based infrastructure fund (2.4%), market-oriented public and community infrastructure (1.1%), rural financial services (0.9%), women's empowerment (0.4%), and HHs methodology (0.4%). It plans to use a corridor method to cover all ten districts of Karnali Province. ASDP has an unspent balance of about USD 38.3 million in IFAD loan and grant funds due to a significant delay in payment. If the project spends 80% (as opposed to 29.4% last year) of its authorized budget of NPR 1,343 million (about US\$ 11.5 million) in FY 2021-22, there will be a balance of USD 29.2 million (NPR 3, 434 million). Even with a one-year delay, the project will need to spend at least NPR 1,145 million (USD 9.72 million) per year for the next three years. Financial progress for program operations would be significantly lower if program administration expenses of 17.6% of total expected cost were eliminated.

Office of the Auditor General (2023) report had shown that ASDP had spent 23% of total budget allocated in agriculture market oriented infrastructure development. The Table 2 below shows the details of expenditure priority of the ASDP in the promotion of agriculture marketing and value chain development in Nepal.

Table 2. Expenditure of ASDP on market oriented infrastructure and other components and sub components

Components/Sub-Components	Total (NPR '000)	Total (US\$ '000)	% of Total Cost
1. Value chain development			
1.1 Inclusive and sustainable agriculture value chains expanded and diversified	1,828,526	17,927	26

<sup>2</sup> SDG1 indicates first goal of Sustainable Development Goal (2015-2030)

<sup>3</sup> SDG 2 indicates second goal of Sustainable Development Goal (2015-2030)

1.2 Market-oriented infrastructure functional	1,568,768	15,380	23
1.3 Rural financial services funding value chain development	365,390	3,582	5
1.4 Agriculture services sustainably support innovation and value chain development	1,349,584	13,231	19
<b>Subtotal</b>	<b>5,112,267</b>	<b>50,120</b>	<b>74</b>
Program management	616,655	6,046	9
Total Baseline Costs	<b>5,728,923</b>	<b>56,166</b>	<b>82</b>
Physical Contingencies	160,647	1,575	2
Price Contingencies	1,055,640	10,349	15
<b>Total Project Costs</b>	<b>6,945,209</b>	<b>68,090</b>	<b>100</b>

Source: (Office of the Auditor General, 2023)

### 3.6 RURAL ENTERPRISE AND ECONOMIC DEVELOPMENT (REED)

REED aims to assist Nepal's agriculture sector in recovering from COVID-19 by establishing rural market links, boosting entrepreneurship and providing jobs. The World Bank had agreed to provide a \$80 million loan for the initiative which will leverage additional money from farmers/producers, financial institutions and local governments over the next four years (World Bank, 2021).

The project is expected to be completed in six (6) provinces in phases with a provincial or district focus based on the criteria agreed upon with the GoN<sup>4</sup>. The project prioritize sites based on North-South and East-West road corridors that connect provinces and have the potential to connect rural agriculture catchment areas with markets (MOALD, 2020). The details of the economic corridors of this project is clearly understood from figure 5 below.

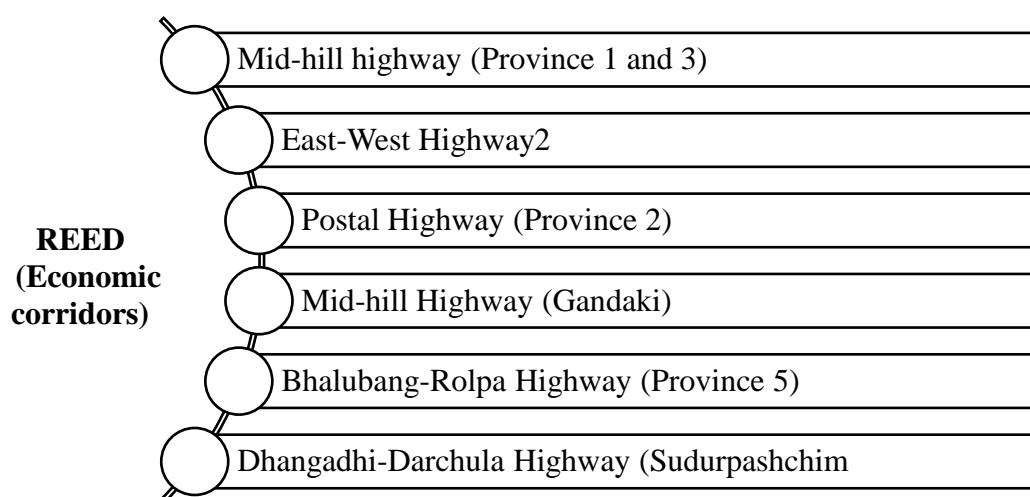


Figure 5: Economic corridors of REED armed to promote value chain and agricultue marketing in Nepal

Source: Self illustration based on informations from (MOALD, 2020)

### 3.7 FEDERATION OF NEPALESE CHAMBERS OF COMMERCE & INDUSTRY (FNCCI)

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is Nepal's apex business group representing the interests of the private sector and acting as a critical link between the government and businesses. Since its inception in 1955, the FNCCI has played a critical role in supporting economic growth fighting for business-friendly legislation and maintaining a dynamic business environment in Nepal. The FNCCI was found supporting in the promotion of agriculture marketing in Nepal through policy advocacy, contributing effectively and significantly to the growth of an open market economy while recognizing global trends. It is found contributing marketing awareness to producers group through the publication of different books and training manuals such as Ginger Processor Manual (2023), Cardamom Processor Manual (2023), Fishery Technician Manual (2023) and so on.

### 3.8 CHAMBER OF COMMERCE AND INDUSTRY AT DISTRICTS AND MUNICIPAL LEVELS

The chamber of commerce and industry at districts and municipal levels have significant role in the promotion of agriculture marketing in Nepal. They promote the marketing of agriculture commodities by policy advocacy at province and local government (nearest government to them), organizing social awareness to farmers (Example: pesticides toxicity, climate change etc.), creating business environment for farmer to sell their products, organizing fair

<sup>4</sup> GON indicated Government of Nepal

periodically focusing on agriculture and livestock that creates a demonstration effect to other farmers, managing their own agriculture market information system and so on.

### 3.9 AGRO ENTERPRISE CENTER (AEC)

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) founded the Agro Enterprise Center (AEC) in September 1991 under a Cooperative Agreement between FNCCI and USAID/Nepal<sup>5</sup>. In the national context, AEC's objective is to be a robust, vibrant, and sustainable private-sector-led agro-enterprise sector capable of generating high and broad-based economic growth. AEC works with Nepalese entrepreneurs to help them build agro-enterprises, improve their competitive market position and increase exports of high-value processed products. Individual investors, businesses, commodities organizations and producer groups can get access to markets, technology, and modern business skills. It also works as a catalyst between the corporate community and technology suppliers such as agricultural research universities (FNCCI/AEC, 2002).

### 3.10 FARMERS GROUPS (FGs) AND COOPERATIVES (COs)

The farmers groups and cooperatives have a very important role in the promotion of agriculture marketing at ground level. Mostly the marketing by the farmers groups is comparatively small by scale as compared to cooperatives. The farmer groups and cooperatives operates based on the principle of shared capital, risks and return. Farmers groups and cooperative approach of marketing is efficient instrument to address the marketing problems of small farmers in Nepal who are often laid abondend by the current policies of agriculture in the country.

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## 4. CONCLUSIONS

An efficient agriculture marketing network is very crucial for economic progress and improvement in livelihood of people. Considering this fact this study is conducted with primary goal to comprehend the roles of key players in the promotion of agriculture marketing in Nepal. In this study, organizations under different tiers of government, boards, federations, cooperatives and farmers' groups were found actively involved in promoting agriculture marketing in Nepal. These organizations were found aiming the same target of strengthening the agriculture marketing system of Nepal but their efforts were found not united or coordinated with each other. Consequently, their strategies and policies are not meeting the expectations of farmers and consumers. Hence, based on spirit of Constitution of Nepal (2015) the federal ministry of agriculture should lead in devising and executing agricultural marketing promotion policies that collaborate and assign roles to all tiers of government, private sector, cooperatives, farmer groups and other relevant stakeholders.

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<sup>5</sup> USAID/Nepal indicates United States Agency for International Development for Nepal.

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