

# Agricultural Marketing As A Mean Of Poverty Alleviation In Nepal

Ved Raj Acharya \*

## INTRODUCTION

Agriculture is the backbone of the Nepalese economy. To improve the living standard of the people at large, it is very necessary to exploit agricultural potentialities. The agriculture sector needs to have a change from subsistence status to an industrial and profitable business, so that productive employment and income are generated from this sector for the benefit of the poor people and may serve the objective of alleviating poverty. The full potentiality of agriculture sector certainly plays a significant role to be self-sufficiency in food supply by promoting export and supplies is raw materials for agro-based industries. For the desired changes in agricultural system adequate supply of chemical fertilizer, high yielding variety of seeds, improved animal breed, access to agricultural credit, and irrigation facility are the primary factors, So, Agriculture sector deserves high priority in the public sector development programme. This priority sector could help to overcome economic problems of the country (MOF 2001).

## POVERTY AND AGRICULTURAL SITUATION IN NEPAL

Poverty is widespread in Nepal. The high illiteracy rate, lower educational attainment, use of un-safe drinking water, high infant and child mortality rate, low expectancy of life at birth, inadequate food consumption, poor nutritional level, higher maternal mortality rate are the major factors of assuring the poverty scenario of Nepal. Other socio-economic indicators like housing condition, safe drinking water, access to basic facilities and health condition also stand as indicators of poverty in Nepal (Blusal 1997).

National Planning Commission defined and quantified the level of poverty in 1976-77 through a survey on employment, income distribution and consumption patterns. According to this definition, NRs. 2.00 Per capita per day at 1976-77 prices was considered the minimum subsistence level. This cut-off level was based on the expenditure required to buy food, giving average daily intake of 2256 calories and the value of the lowest actual daily consumption of other basic necessities (Smith 1991). But now it is estimated that about 42 percent of the total population are below the poverty line (Ninth Plan 2055).

---

\* Mr. Acharya is lecturer in Mahendra Morang Campus, T.U. Biratnagar, Nepal.

One of the major objectives of Ninth Plan 2054-59 B.S. is to reduce the poverty of the people. Agriculture can play key role in the reduction of poverty. But the result is not so much encouraging. In the Ninth Plan, the agriculture sector is taken as a lead sector to reduce poverty and to increase the income level of the people. The objectives of agriculture development in Ninth Plan are: (a) diversification in agriculture, (b) re-orientation of agriculture to business, (c) development of agro-based industries, and (d) industrialization of the country. For the development of agriculture the focus has been given for the expansion of cash crops and the institutionalization of co-operative agencies. For achieving the targets, the priorities which are given in plan period are: (a) development of small scale irrigation project, (b) transformation and development of cheap technology, (c) expansion of the network for rural electrification, (d) construction of agricultural roads in pocket area, and (c) supply of the agricultural credit in a simple way.

More than 80 percent of Nepalese people make their livelihood from farming and agriculture. However, between 1984 to 1996, growth in agricultural output averaged 3 percent a year, barely, keeping up with a population growth rate of 2.5 percent. The percapita production of staple food gains is actually declining (WB 2000)

The Table 1 shows the cereal grain production and requirement.

Table 1  
Cereal Grain Production

	1994/95	1995/96	1996/97	1997/98	1998/99
Rice	P 1577820	1949761	2002747	2035725	2074193
	R 1827773		-	-	-
	B -249953	-	-	-	-
Maize	P 883267	929513	894779	940767	920094
	R 1023553	-	-	-	-
	B - 140286	-	-	-	-
Millet	P 219262	236478	236982	233764	238968
	R 219262	-	-	-	-
	-	-	-	-	-
Wheat	P 709304	786936	827438	806849	855647
	R 804220	-	-	-	-
	B - 94916	-	-	-	-
Barley	8107	11190	10641	10244	8710
	8107	-	-	-	-
Total	P 3397760	3913878	3972587	4027348	4097612
	R 3882915	3948229	4079135	4178077	4279491
	B -485155	- 34351	-106548	-150729	-1861879

Note : P = Production, R = Requirement, B = Balance

Source : CBS, 2001.

The Table 1 shows that the food requirements are increasing day by day and the situation of production of food grains is not so satisfactory. So, the food balance is going to be negative.

Among the reasons for the sector's poor performance are insufficient agricultural policy reforms, poor extension services to farmers, intensive cropping, and low availability of inputs such as fertilizer, water and seeds. Irrigation is limited by poor operation and maintenance and constrained by fragmented land holdings. Agricultural development programmes have been weakened by a centralized approach which failed to emphasize farmer participation in design and implementation (WB, 2000).

The Table 2 shows the total import and consumption of fertilizers in Nepal which is very low with results of low yielding of agricultural production.

**Table 2**  
**Import And Consumption Fertilizer**

Years	Import	Consumption
1995/96	94586	70154
1996/97	40979	46160
1997/98	56651	47195
1998/99	46240	45669
1999/2000	13800	71460

Source : As of the Table 1

The Table 3 explains the consumption of improved seeds by types and shows that the consumption of improved seeds is not positively increased. It is decreased in comparison. The other important factor to increase the production and productivity is agriculture credit, but only 14 percent farmers are getting credit facilities from formal institution (WB 2000).

**Table 3**  
**Consumption Of Improved Seeds**

Year	Paddy	Wheat	Maize	
1995/96	250	2949	144	
1996/97	372	3430	124	
1997/98	176	1938	117	
1998/99	308	1443	43	
1999/2000	326	2234	25	

Source : As of the Table 1

Nepal's agriculture is barely yielding enough to match population growth. The poor people have poor quality farm and hence have least productivity. Only one-fourth of the very poor have land, and the medium farm size for them is only half a hectare, while the average for all other

groups is two third of a hectare. Only 11 percent receive irrigation water year-round, compared to a national average of 15 percent.

Only 37 percent of very poor households use fertilizer. The amount of fertilizer use is an average of 10 kilograms of subsidized fertilizer bought by the very poor from the Agricultural Inputs Co-operation (AIC), nearly twice that amount, 19 kgs, for the next quarter of the population and 39 kgs for the wealthiest fourth. These figures indicate a clear inequity. Nepal's fertilizer subsidies — amounting to between one-fourth and one-fifth of its total budgetary outlays for agriculture—benefit poor farmers the least, their better-off neighbours the most (WB 2000). The farming system is traditional. Majority of the farmers do not use improved seeds, fertilizer, insecticides and other modern techniques. Only 4 percent households had seen extension, 12 percent household had got the veterinary service (WB 2000).

### Marketing Situation

The dependency of agriculture has got an important role in industrial production and export. In between agriculture sector and non-agriculture sector, the agriculture sector is laid behind and the economic condition of farmer and rural people is going to be lower and thereby increasing in poverty rate which directly relates to illiteracy, malnutrition and other crisis, creating barriers for human development (NHDR 1998). This reveals the fact that productivity in agricultural sector is low, farmers are poor and industries are creeping. In this circumstances, agricultural development can not be possible without the development of effective and organized agriculture marketing system, practical land reform program security of tenancy rights, establishment of uniform tenary system, development of irrigation, technical assistance, extension of institutional credit facilities and other financial assistance. If agriculture market is not organized and access to market is not made available to majority of farmers, they lack resources and become inactive to modernize agriculture. Research has shown that most of the farmers lack access to a market system and thus their productive methods. In this consideration marketing is precondition for economic development of Nepal.

Agricultural marketing is the performance of all business activities who are involved in the flow of goods and services. From the point of initial agricultural production they are in the hands of ultimate consumer. In all countries and through all phases of economic development, the pace of advance is quickened as marketing activity increases (Aboh 1972). The recognition and acceptance of the marketing concept is also a symbol of socially responsible business (Amarchand and Varadharajan, 1983).

American Marketing Association defines marketing as, "the performance of business activities that directs the flow of goods and services from producer to consumer or user" (Patil 1980). For successful

and effective marketing, the key factors are vital links with consumer markets and strengthening other marketing variables (Agrawala 1979). It is seemed that our market practice is dominated by foreign luxury goods (Shrestha 1994). Agriculture market system is not yet developed.

In the real sense, agricultural marketing involves many service besides selling and distribution. Marketing is the process of marketing the products which the farmer produces on the farm making available to the ultimate consumers in the form and quality they require. But all the service of marketing is not possible by farmers. A farmer usually sells his products by himself but products are marketed through different agencies. In Nepal, agricultural marketing comprises three levels. At the primary or village level, small purchase agricultural products from the farmeras and carry them to sell in towns among big merchants. At the second level we have nearly 650 periodical *Hatiyas*, temporary markets, organized one or two days in a week. In the *Hatiyas*, selling and purchasing of agricultural products are done by wholesalers, millowners and hawker agents. At the third level, we have wholesale market in the citites like Biratnagar, Birjung etc. These wholesale markets are controlled and operated mainly by millowners, traders and exporters. These markets are much more related with and sensitive to Indian market rather than their counterparts. For example from the hill areas food grains are exported to Indian territory so is the case of terai areas. The exports are done both legally and illegally. The acute shortage of food grains in the hills are such examples. Beside this, we lack farmers organization like the chamber of commerce. The lack of institutional credit facility also compels the poor farmers to borrow non-institutional loans from money lenders, land owners and grain traders at a very high rate of interest. It is usually happens during the sowing season, sometimes the farmers enter into contract to sell their product in a cheapest price right after the harvest.

#### PROBLEMS ASSOCIATED WITH MARKETING

A large number of middle man exploit farmers. Municipality authority charges them. Besides, there are malpractices such as use of defective weight and measures and misreporting about grain prices. All these things hinder the farmers to receive proper prices of their products and reduce the producers share in what consumers pay for goods.

Unjustifiably high marketing margin is also an aspect to be seriously noticed in the list of disadvantaged Nepalese farmers. Majority of Nepalese farmers cultivate small and fragmented plots of land with their traditional methods and produce wide varieties of crops. Naturally market surplus is meagre and negative which makes the collection cost high.

Due to wide varieties and types of crops their quality grading is not possible. Farmers products are perishable, scientific storage facilities are not available hence they are compelled to sell their products at a throw-



away prices when their cash requirements are urgent. All these factors contribute to make the high marketing margins.

As most of the Nepalese farmers sell their products not because they have surplus food grains to sell but because their cash requirement is urgent to pay land revenue or to fulfill their requirements like purchase of clothes, repair huts, treatments while falling ill, to fulfill religious and social formalities etc. Hence, they are not in a position to push their interest in markets and seasonal fluctuation of food prices compels them to sell their products at a very low price.

### CONCLUSION

To solve these problems of agriculture marketing and overall agriculture development, farmers organization is urgently needed. Co-operative society needs to be strengthened and farmers should be organized on co-operative lines. A well organized financially sound co-operative society may go a long way to collect the surplus food to be marketed from the small farmers, for a supply of institutional credit to needy farmers and for the management of scientific storage facilities. The cooperative societies may even function as a collective selling agents to secure better prices for the products. In this way, they may ensure low marketing margins and decrease the seasonal fluctuation without which modernization cannot take place and the commercialization of Nepalese agriculture cannot be made possible. In this context, the government should fix support price before sowing the crops. All possible steps should be taken to prevent mal-practices regarding weight and measures. Scientific grading of agricultural produces should be started to maximize the earning of the cultivators. HMG should expedite the process to provide institutional credit to the needy farmers at a reasonable interest rate. In this context, broad-based growth has to be centered on agriculture. Because the agriculture presents the highest potential for growth and poverty alleviation. Majority of the people especially, the poor of rural areas depend their livelihood on agriculture. Higher agricultural productivity is related to quality of land and input use. So, investments should be expanded on irrigation, fertilizer, education and proximity to roads.

In conclusion, it is notable that priority must be transformed into practical efforts that treat the rural poor as agents of growth.

### SELECTED REFERENCE

- Aboh, J.C. (1972) *Marketing, An Accelerator of Economic Growth*, Agricultural Marketing Conference Proceeding 21-24 Feb. Agricultural Marketing Division, MOASC, Kathmandu, Nepal.
- Agrawala, Dharmavira (1979). *Marketing Research An Overall View*, All India Directories Publisher, Chandigarh, 160016, India.

- Amarchand, D. and B. Varadharajah (1983) *An Introduction to Marketing*, Vikas Publishing House Pvt. Ltd. 5 Ansari Road, New Delhi.
- Bhusal, Yuba Raj (1997) "Rural Poverty Alleviation in Nepal: An Appraisal," *Vikas*, June Vol, No. 17 NPC, Kathmandu, Nepal.
- MOF (2001) *Economic Survey 2000/2001*, MOF, HMG, Kathmandu, Nepal.
- CBS (2001) *Statistical Year Book 2001*, CBS, HMG, Kathmandu, Nepal.
- HMG/NPC (2055) *Ninth Plan (2054-59)*, HMG National Planning Commission, Kathmandu, Nepal.
- Nepal South Asia Center (1998) *Nepal Human Development Report*, NSAC, Kathmandu.
- Patil, S.G., P.V. Kulkarni, Homai Pradhan (1980) *Modern Marketing Research*, Himalaya Publishing House, Giragaon, Bombay 400004.
- Shrestha, Shyam K. ((1994) *Export Market Management in Nepal*, Padma Educational Center 6/3 New Road, Kathmandu.
- Smith, William J. (1991) "A Poverty Alleviation Strategy for Nepal", *Poverty Alleviation and Human Development in Nepal*, Proceeding of a National Seminar, NPC, Kathmandu.
- World Bank (2000) *Nepal and the World Bank: Building Better Lives*, World Bank, Washington D.C., USA.
- World Bank (2000) *Nepal Public Expenditure Review*, World Bank, Washington D.C., USA.