

ORGANIC AGRICULTURE BUSINESS IN NEPAL: TREND/ OPPUTUNITY/CONSTRAINS

Samir Newa
The Organic Village

Organic Product Market Scenario

International

According to current statistics, annual sales of organic products are over **US\$52 Billion** worldwide, with compounded growth of **23% per annum**. However, until now certified organic skin care & cosmetic products are not included in this statistics.

Asia

According to Britain's Organic Monitor who tracks global organic trends organic market in Asia (not including Australia) is estimated to be worth of at least **US\$400 million**.

Nepal

Although authentic data on organic market of Nepal is not compiled yet it is assumed that organic products worth of at least **US\$ 7 Million** (NRs. 52,00,00,000) are sold per annum in Nepal including exported commodities.

Organic Business in Nepal

About 25 private companies are actively functioning in Nepal in organic product business. The major organic products that have been included in the trade are orthodox and green tea, coffee, honey, high land beans, buckwheat, vegetable, bread and pastas, essential oils, herbs, soap, raw materials for cosmetic, detergent, wild fruit syrups, fiber for textile and furnishing, fertilizer and other inputs

Likewise about 16 cooperatives are actively functioning for the production and /or business of organic agriculture. The major products are coffee, tea and vegetables. In Kathmandu there are 5 organic outlets (including Fabindia), 4 weekly farmers market, about 9 supermarkets sale organic products. One restaurant and about 35 hotels and restaurant are selling organic menu partially.

Exports

Major organic products exported from Nepal are:

Tea: green, leaf and herbal

Coffee: raw beans, roasted beans and powder

Beans (Pinto, Azuki)

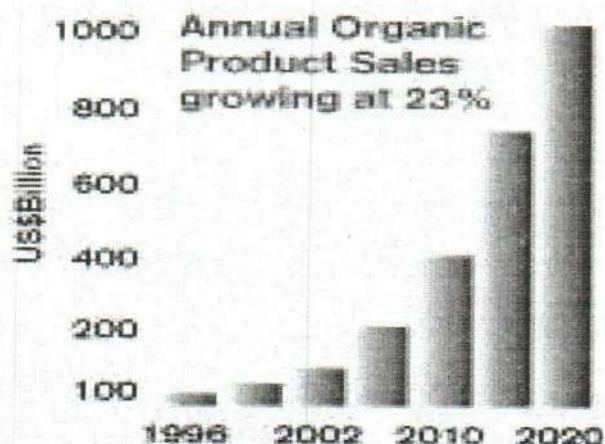
Buckwheat

Spices: ginger, turmeric, coriander seed, super hot chili

Essential oils and herbs: wild and cultivated

Textile

Raw materials for cosmetics



The Organic Village Pvt. Ltd Sales

Year	Total sales NRs.	Domestic	International
2006	1,980,000.00	1,830,000.00	150,000.00
2007	3,960,000.00	3,042,000.00	918,000.00
2008	6,720,000.00	6,400,000.00	320,000.00
2009	8,400,000.00	7,470,000.00	930,000.00
2010	10,920,000.00	10,500,000.00	420,000.00

The Organic Village Bukeba Sale

Month	Total	Food	Drinks
Jan	675,000	621,000	54,000
Feb	922,000	811,360	110,640
Mar	1,067,000	906,950	160,050
Apr	1,245,000	896,400	348,600
May	1,120,000	784,000	336,000

Consumer Flow

Year	Person	Amount	Nepalese	Indian	Foreigner
2006	3300	1980000	132	33	3135
2007	6600	3960000	792	330	5478
2008	11200	6720000	4368	1680	5152
2009	14000	8400000	5880	2660	5460
2010	18200	10920000	5824	5460	6916
Total	53300		16996	10163	26141
Percent			32	19	49

Why Organic Products markets are growing? 10 reasons:

1. Organic products meet stringent standards.
2. Organic food tastes great!
3. Organic production reduces health risks.
4. Organic farms respect our water sources.
5. Organic farmers build soil.
6. Organic farmers work in harmony with nature.
7. Organic producers are leaders in innovative research.
8. Organic producers strive to preserve diversity.
9. Organic farming helps keep rural communities healthy.
10. Organic abundance – Foods and non-foods alike!

Why Organic products have huge business potentiality?

The lifestyle has been changing among conscious/highly paid people. It is guiding towards more nature friendly products. Sustainable approach is getting more popular in worldwide. Consumer's approach towards organic products is because of health, taste, status, trend fashion, new topics to gossip.

Organic Market potential in Kathmandu Valley

Survey was carried out in 2010. The survey revealed that about 13,500 families are willing to use organic food. Their average food consumption per day is about 8 kg (excluding water) which is equivalent to 108 tones organic food per day. The average wholesale value of this quantity of organic food will be NRs. 3,780,000.

Organic Market potential in Kathmandu Valley

The results of the survey carried out in Kathmansu valley have been presented in Fig. 1, 2 and 3. The survey revealed following points:

- 79% of total surveyed consumer will purchase organic food if readily available in market
- 4% of total surveyed consumers are regular buyers of organic food.
- 34% of total surveyed consumer have heard about the word ORGANIC
- Organic products requires branding or certification

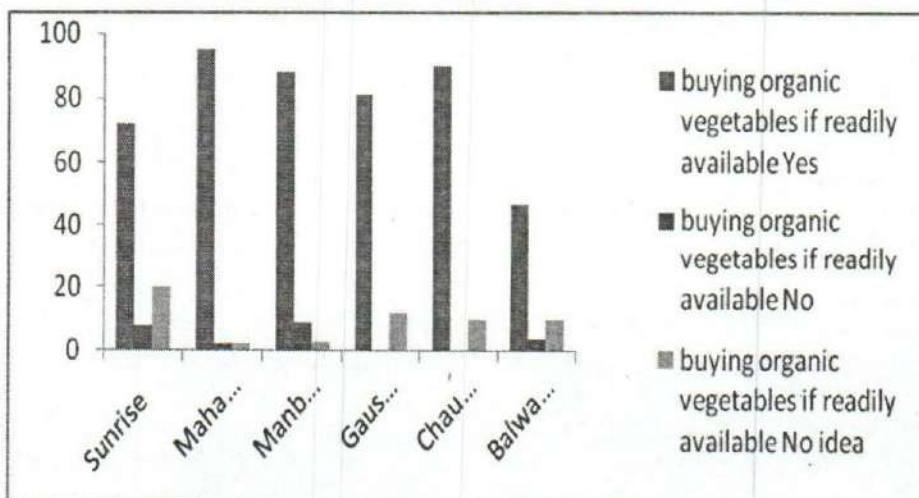


Fig 1. Percentage of consumer buying organic agro products if readily available in different area

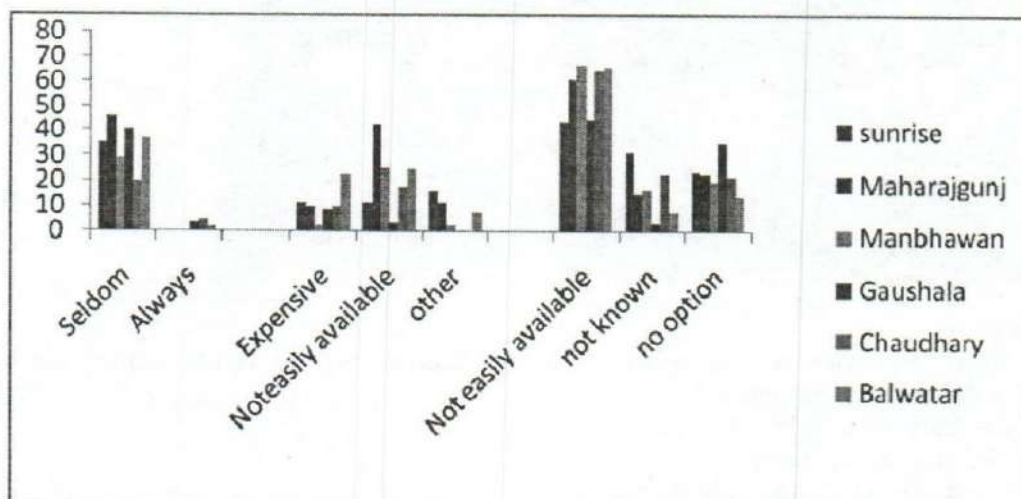


Fig. 2 Consumer % in different area consuming organic agro products and their grounds behind it

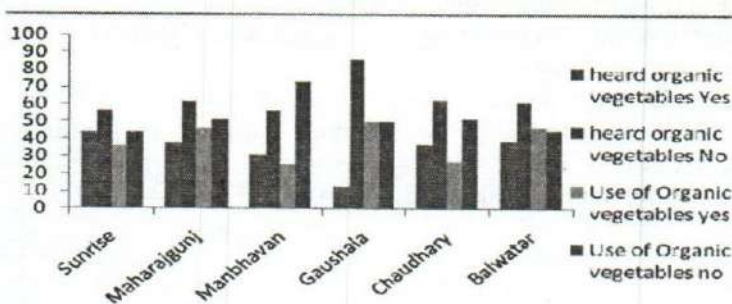


Fig 3. Percent of consumer in different locations having acquaintance and utilized organic food.

Why certified organics?

The exponential growth is due to the fact that consumers have finally realized that chemicals of any kind – going in or onto their bodies – can lead to serious health problems for themselves and their families. Only a foolish person would continue feeding their families toxic ingredients in food, and food for your skin is no different!

Organic Certification

To export; requires International Organic Standard (recommended by Buyers)

Domestic Sales; National organic standard

PGS (Participatory Guarantee System); tri-party understanding

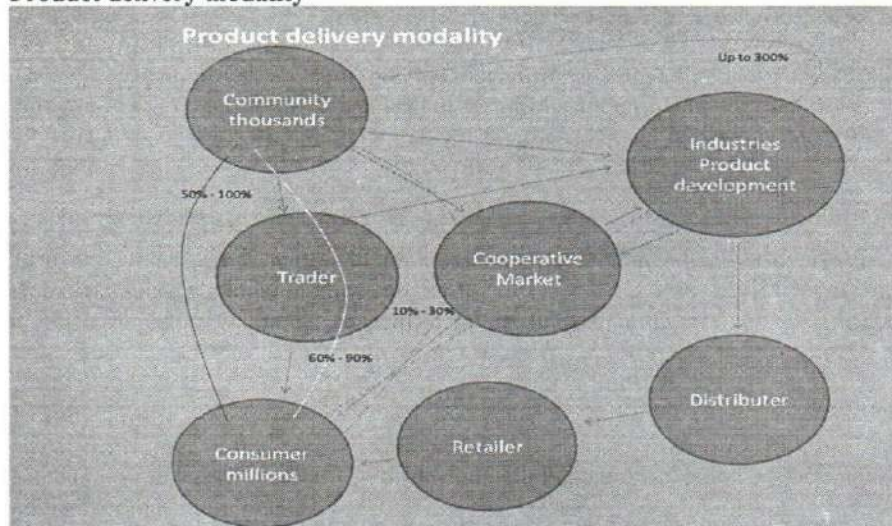
Producer – Trader – Consumer

Brand

Nepal Organics® Policy

Mountain Products: Initiated by World Mountain People Association 34 mountain countries are going to implement mountain brand.

Product delivery modality



To be improve

- Proper cultivation and harvesting practices (Nutrition diet for family, market knowledge, quality of seeds and inputs)
- Post Harvesting Techniques
- (Store house, Packaging)
- Logistic (Road, transport system, cost)
- Wholesale Market (Location, infrastructure)
- Food Processing Units (Expensive equipments, Energy sources)
- Bank Investment (not easily available, high interest rate, lack of trust)
- Insurance (lack of trust, policy)
- Certification (less land area, investment vs sales, documentation)
- Government Policy (infrastructure, facility, reimbursement, empowerment, human resource development, research)
- Consumer attitude (awareness, easily accessible, trust)