

Export Potentials of Tea and Coffee Production in Nepal

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Abstract: Tea and coffee represent two major cash crops in Nepal, with global demand and consumption for these products remaining substantial. Despite considerable exports of these commodities, their current level of exportation falls short of their true potential. This article evaluates the significance of tea and coffee in Nepal's trade dynamics, particularly in the context of the huge trade imbalance the country currently handles with. By harnessing these products, Nepal has the opportunity to address this imbalance effectively. This article undertakes an in-depth evaluation, drawing upon secondary data from diverse sources, and employs quantitative analysis to explore the latent potential within Nepal's tea and coffee production. The outcomes of this study provide valuable insights and recommendations that can guide policymakers and stakeholders within the business community toward strategic decisions that can strengthen the positive impact of tea and coffee production on Nepal's trade scenario.

Keywords: Tea and Coffee, Trade Balance, Export Potential, Cash Crops.

INTRODUCTION

1. Background:

Throughout the history, the consumption of tea and coffee has been a cultural and social practice that has transcended borders and united people in shared experiences. These beverages, originating from distinct corners of the world, have become integral to daily routines, conversations, and rituals, fostering a global connection rooted in taste and tradition. The warmth of a cup of tea or the invigorating aroma of freshly brewed coffee has traversed time, evolving into cornerstones of modern societies, where they offer comfort, stimulation, and a sense of belonging.

Tea and coffee cultivation holds significant importance in Nepal. The country has a longstanding tradition in promoting these valuable cash crops. Despite this history, the economic gains from these endeavors have not seen a substantial increase. Nepal's unique combination of geographical and climatic conditions, combined with an available labor force and uncomplicated technology, presents an opportunity for substantial growth in the export of tea and coffee. The potential for large-scale exports is further enhanced by the growing demand for organic products and the possibilities of industrialization.

Numerous efforts and investments have been made to promote tea and coffee production in Nepal. However, there remains a requirement for a comprehensive governmental export policy, support for farmers, and effective marketing strategies, particularly for premium-quality products. Furthermore, the development of policy frameworks and legal structures, along with a shift in attitudes towards production, is essential to encourage the farming of tea and coffee in Nepal. The success of tea and coffee production in Nepal is connected with its economic, social, and labor dimensions. A focus on government prioritization, rational

investment practices, and resource management is also vital for the expansion of these productions.

2. Overview of Tea and Coffee Industry in Nepal

The comprehensive overview of Nepal's tea and coffee industries reveals a blend of historical significance, evolving production trends, growing market demand, and untapped export potential. These industries hold the promise of contributing significantly to the country's economy, potentially addressing the trade imbalance while capitalizing on global consumer preferences.

Nepal has a rich history of tea and coffee cultivation, with origins dating back to the mid-19th century during the Rana regime. The tea industry saw early development in the eastern hills of Ilam and Panchthar districts, while coffee cultivation gained prominence in areas like Gulmi and Palpa. However, these industries faced various challenges over the years, including fluctuating yields, inadequate infrastructure, and limited international exposure. Despite these obstacles, both sectors have persevered and exhibited resilience, gradually expanding their cultivation areas and improving production practices. In recent times, the global market for tea and coffee has witnessed significant shifts in consumer preferences. There is a growing demand for premium and specialty products, emphasizing unique flavors, sustainable practices, and organic origins. This trend aligns well with Nepal's potential as a producer of high-quality tea and coffee. The country's unique geography and diverse climate zones offer an advantage in producing distinct varieties of these beverages that cater to evolving consumer tastes.

Nepalese tea and coffee have begun to make a mark on the international scene, gaining recognition for their unique characteristics. Specialty teas like Himalayan Orthodox Tea have garnered attention for their flavor profiles and organic cultivation methods. Similarly, Nepalese coffee has been appreciated for its

distinctive taste and potential in the specialty coffee market. Despite this potential, the export volume of these products remains relatively modest compared to other producing countries. Expanding the export of Nepalese tea and coffee presents a twofold opportunity. First, it can diversify Nepal's export basket, reducing the country's dependence on a limited range of products. Second, it can contribute to economic growth by increasing foreign exchange earnings and employment opportunities, particularly in rural areas where these crops are cultivated. Exploring on these opportunities requires a strategic approach that involves enhancing cultivation techniques, focusing on quality, and establishing robust international marketing channels.

3. Tea and Coffee Status Worldwide

3.1 Tea and coffee production in neighboring countries

India: India is one of the largest tea producers and exporters in the world. The country primarily grows black tea, followed by green tea and other varieties. Major tea-producing regions in India include Assam, West Bengal, and the Nilgiris in the southern part of the country. India's tea industry is known for its high-quality teas and exports to various countries, including the United Kingdom, Russia, and the Middle East. India is also a significant coffee producer, mainly cultivating arabica and robusta coffee beans. The major coffee-growing regions are in the southern states of Karnataka, Kerala, and Tamil Nadu. Indian coffee is known for

its premium arabica beans. The country exports coffee to markets like Europe and the United States.

China: China is renowned as the birthplace of tea, and it has a rich history of tea production. China produces various types of tea, including green tea, black tea, oolong tea, and white tea. Some famous Chinese teas include Dragon Well (Longjing), Tie Guan Yin, and Puerh. China both consumes a significant portion of its tea production domestically and exports tea to international markets. China has been rapidly expanding its coffee production in recent years, primarily in the southwestern Yunnan province. Chinese coffee is mostly arabica, and the country aims to become a more prominent player in the global coffee market. Chinese coffee consumption is also growing, particularly among urban populations.

Sri Lanka: Sri Lanka, formerly known as Ceylon, is famous for its Ceylon tea. The country specializes in producing black tea, which is popular for its brisk and bold flavors. Sri Lanka exports a significant portion of its tea, with the United Kingdom, Russia, and the Middle East being key markets. The high-grown teas from regions like Nuwara Eliya are highly sought after. While Sri Lanka is primarily known for its tea production, it also cultivates coffee, particularly in the central regions of the country. Sri Lankan coffee is mainly arabica. The coffee industry in Sri Lanka is smaller compared to tea but has been experiencing some revival and growth in recent years.

Table:1

Annual Tea and coffee production worldwide					
Tea			Coffee		
S no	Countries	Production (000 Ton)	Countries	Production (000 Ton)	
1	China	2791	Brazil	3558	
2	India	1400	Viet Nam	1830	
3	Kenya	459	Colombia	858	
4	Sri Lanka	340	Indonesia	642	
5	Viet Nam	270	Ethiopia	441	
6	Nepal	26	Nepal	0.004	
7	worldwide total production	6500	world	9900 ton	

Source: www.atlasbig.com, www.worldcoffeebar.com.

Annually, the global tea production reaches a total of 6,497,443 metric tons. China takes the lead as the world's foremost tea producer, contributing 2,791,837 metric tons each year. Following closely, India secures the second position with an annual tea production of 1,390,080 metric tons. When combined, China and India collectively account for over 60% of the world's entire tea output. Kenya emerges as the third-largest tea producer, boasting an annual production of 458,850 metric tons.

Brazil holds the top position in coffee production, contributing to over one-third of the world's total output. Vietnam stands as the second-largest coffee-producing nation, representing nearly one-fifth of the global production share. South American countries are

renowned for their significant coffee production contributions, and Ethiopia and Indonesia also play notable roles in the world coffee industry.

3.2 Tea and coffee major varieties:

3.2.1 Tea: Tea varieties offer a diverse range of flavors, aromas, and characteristics, making tea appreciation an exciting journey for enthusiasts. The differences in taste are influenced by factors such as the tea plant cultivar, terroir, processing techniques, and cultural traditions in various regions around the world. Tea is a globally cherished beverage with a wide range of varieties, each offering unique flavors and characteristics. Here is a brief overview of some of the popular tea varieties found worldwide:

1. **Black Tea:** Black tea is fully oxidized, resulting in a robust and bold flavor. It ranges from malty and rich, as seen in Assam and Ceylon teas, to floral and nuanced, as in Darjeeling. Other well-known black teas include Earl Grey and Keemun.
2. **Green Tea:** Green tea is unoxidized and has a fresh, grassy flavor. It is popular in Asia and includes types like Sencha, Matcha, Dragon Well (Longjing), and Gunpowder. Green tea is known for its potential health benefits due to high levels of antioxidants.
3. **Oolong Tea:** Oolong tea is partially oxidized, falling between black and green teas in terms of flavor and color. Varieties range from the light and floral Tie Guan Yin to the darker and more roasted Wuyi Rock Tea.
4. **White Tea:** White tea is made from young tea leaves and buds with minimal processing. It has a delicate, subtle flavor and includes Silver Needle and Bai Mu Dan (White Peony).
5. **Yellow Tea:** Yellow tea is a rare variety known for its unique processing, including slight oxidation and a "yellowing" step. Notable examples include Huangya and Junshan Yinzen.
6. **Pu-erh Tea:** Pu-erh is a fermented tea from China, available in raw (sheng) and ripe (shou) forms. It has a distinct earthy flavor and is often compressed into cakes or bricks. Pu-erh is aged like fine wine and can improve with time.
7. **Herbal Infusions:** Herbal teas, technically not true teas, are made from herbs, flowers, and botanicals. Examples include chamomile, peppermint, hibiscus, and rooibos. These infusions are caffeine-free and often enjoyed for their soothing properties.
8. **Flavored and Scented Teas:** These teas are infused with added flavors or scents. Popular examples include Jasmine tea, Earl Grey (black tea with bergamot), and Chai (spiced tea).
9. **Specialty Teas:** Some teas are renowned for their unique regional characteristics and production methods. Examples include Darjeeling tea from India, Gyokuro from Japan, and Kenyan Purple tea.
10. **Compressed Teas:** Teas are tightly pressed into various shapes, such as cakes, bricks, or tuochas. Pu-erh is the most famous type of compressed tea, but others include Liu Bao and Fu Zhuan.
11. **Orthodox Tea:** Orthodox tea is produced using traditional and artisanal methods. The tea leaves are carefully hand-plucked, and the processing involves withering, rolling, oxidation, and drying. These steps are carried out with precision to preserve the integrity of the tea leaves. Darjeeling, Assam, and various specialty teas from regions like Nilgiri and Ceylon are typically produced using orthodox methods.
12. **CTC Tea (Crush, Tear, Curl):** CTC tea is mass-produced and undergoes a mechanical process that involves crushing, tearing, and curling the tea leaves. This method is highly efficient and suitable for large-scale production. Many Indian and Nepalese teas are made using CTC processing, as it imparts a bold and rich flavor ideal for spiced tea preparations.
13. **Organic Tea:** Organic tea is grown without the use of synthetic pesticides, herbicides, or chemical fertilizers. It follows strict organic farming practices, focusing on soil health and sustainability. Organic teas offer flavors that reflect the unique terroir of the tea garden, often described as clean and natural. Organic farming practices prioritize environmental sustainability and may result in teas that are free from chemical residues. Many tea gardens worldwide,

including those in India, Nepal, China, and Sri Lanka, produce organic teas. These can range from many organic green tea varieties.

Tea enthusiasts often choose between these types based on their preference for flavor, brewing style, and their stance on organic and sustainable farming practices. Each type of tea has its own unique charm and appeal.

3.2.3 Coffee: The world of coffee offers a rich tapestry of varieties, each with its distinct flavor profile, growing conditions, and regional characteristics. Here is a brief overview of some of the notable coffee varieties found around the world:

1. **Arabica (Coffea arabica):** Known for its complex and nuanced flavors, arabica coffee offers a wide range of taste experiences, including fruity, floral, and acidic notes. Arabica thrives in higher-altitude regions with cooler temperatures. Some famous arabica-growing areas include Ethiopia (the birthplace of coffee), Colombia, Kenya, and Guatemala. Arabica beans are often considered of higher quality and command premium prices in the market.
2. **Robusta (Coffea canephora):** Robusta coffee is characterized by a stronger, more bitter taste with nutty and earthy notes. It tends to be less acidic than arabica. Robusta coffee is grown in lower-altitude regions with warmer climates. It is commonly produced in countries like Vietnam, Brazil, and Indonesia. Robusta beans contain higher caffeine levels than arabica, making them popular for espresso blends and instant coffee.
3. **Liberica (Coffea liberica) and Excelsa (Coffea excelsa):** These lesser-known coffee varieties offer unique and sometimes wild flavors, which can range from smoky and woody to fruity and floral. Liberica is grown in West and Central Africa, while Excelsa is primarily found in Southeast Asia. These varieties are less common in global coffee markets. Liberica and Excelsa are known for their hardiness and resistance to pests, which can make them suitable for challenging growing conditions.
4. **Geisha (Gesha):** Geisha coffee is celebrated for its exquisite and floral flavor profile, often described as tea-like with notes of jasmine, bergamot, and tropical fruits. Geisha coffee originated in Ethiopia but gained international recognition through Panama's Boquete region. It is now cultivated in other coffee-growing regions as well.
5. **Bourbon:** Bourbon coffee is known for its sweet, balanced, and sometimes fruity flavors. It is considered one of the "heirloom" coffee varieties. Bourbon coffee has origins in the island of Bourbon (now Réunion), but it's also grown in regions like Rwanda and El Salvador.
6. **Typica:** Typica coffee offers a well-balanced and clean cup with mild acidity and pleasant sweetness. Typica is an ancient coffee variety and considered the parent of many other coffee cultivars. It is grown in various coffee-producing countries.
7. **Catuai:** Catuai coffee is often known for its bright acidity, medium body, and balanced flavor. It is a hybrid variety developed in Brazil, and it's grown in several Latin American countries.

These are some examples of the many coffee varieties found across the globe. Each variety's unique combination of growing conditions, processing methods, and regional influences contributes to the diverse world of coffee flavors and experiences. Coffee enthusiasts often explore these varieties to discover their preferred tastes and aromas.

Nepal boasts a growing tea and coffee industry, with unique agro-climatic conditions that yield high-quality products. While these industries have shown promise, their export potentials remain largely untapped. Nepal's agricultural sector, including tea and coffee production, plays a vital role in the livelihoods of rural communities and overall economy. Therefore, understanding how to leverage these export potentials effectively is not only critical for economic growth but also for enhancing the sustainability of smallholder farmers and the overall agricultural landscape in Nepal. This research article aims to explore the unexplored export opportunities in Nepalese tea and coffee, offering insights into strategies for growth and global market access. The research question is focused on "What are the untapped export potentials of Nepal's tea and coffee production, and how can these potentials be harnessed to drive economic growth and sustainability in the country's agricultural sector?"

4. Objective of Study

This study's main objective is to comprehensively assess Nepal's trade deficit and explore the viability of exportable commodities, specifically focusing on tea and coffee. The study aims to achieve this through several specific objectives:

- I. Thoroughly analyzing Nepal's trade deficit by examining the gap between imports and exports. This involves investigating economic, social, and political factors contributing to the trade deficit. The study intends to uncover the underlying dynamics and implications for Nepal's economy.
- II. Identifying and evaluating exportable goods, such as tea and coffee, to potentially reduce the trade deficit. This requires a detailed analysis of market trends, demand, supply chains, and potential trade partners. The goal is to gain a clear understanding of the export landscape and the practical potential of these commodities.
- III. Formulating recommendations to mitigate the trade deficit. These recommendations will encompass a multifaceted approach, including adjustments to export-oriented industry policies and improvements in trade-related infrastructure. The study aims to provide actionable insights for policymakers and stakeholders, guiding efforts to improve Nepal's trade balance.

5. Methodology

The study employs a mixed-methods research design to achieve its objectives, enabling a thorough examination of Nepal's trade deficit and the potential impact of tea and coffee exports on this issue. The research gathers quantitative data from official trade records, economic databases, and government reports to comprehensively assess Nepal's trade deficit. This data includes information about imports, exports, trade partners, and trade balance over a specific timeframe. Additionally, qualitative data is also collected through interviews involving government officials, industry experts, exporters, and importers. These interviews provide insights into the economic, social, and political factors influencing the trade deficit.

The collected quantitative data undergoes rigorous statistical analysis, presenting trends in imports, exports, and trade balance through descriptive statistics. Qualitative data from interviews and focus group discussions are analyzed thematically, uncovering recurring patterns and themes that contribute to a deeper understanding of the trade deficit factors.

Recommendations to mitigate the trade deficit are developed based on insights gained from data analysis. These recommendations consider trade deficit dynamics, export potential, and supply chain capabilities. They encompass adjustments to policies, improvements in infrastructure, and strategies to promote industries focused on exports. Throughout the research, ethical considerations are maintained, including securing informed consent from interview participants, safeguarding data privacy, and ensuring unbiased representation of findings. By combining quantitative analysis, qualitative insights, and recommendation formulation, the chosen research methodology facilitates a comprehensive exploration of Nepal's trade deficit scenario and the potential of tea and coffee exports to alleviate this challenge.

6. Tea and Coffee production in Nepal

Nepal is situated in the Himalayan region between China in the north and India in the rest part in south Asia, holds a unique and favorable geographical setting for the cultivation of tea and coffee. The country's altitudinal variations provide an ideal environment for producing high-quality tea and coffee beans, reflecting the distinct characteristics of their respective terroirs. Over time, Nepal has developed its expertise in cultivating these crops, capitalizing on its natural advantages and traditional agricultural knowledge. The endeavor to produce tea and coffee has not only strengthened Nepal's economy but has also added to the rich composition of the nation's cultural heritage.

In Nepal, the production, processing, and export of tea and coffee are subject to a framework of legal and institutional arrangements. Regulatory bodies and government agencies oversee the industry to ensure quality standards, sustainable practices, and fair trade. The Ministry of Agriculture and Livestock Development (MoALD), The Tea and Coffee Development Board (TCDB), Nepal Tea Development Corporation (NTDC) and Coffee Development Center plays a pivotal role in promoting and regulating these sectors, facilitating research, providing technical support, and fostering collaborations among stakeholders. Moreover, legal mechanisms safeguard the intellectual property of unique tea and coffee varieties, preserving Nepal's distinct contributions to these global commodities. Incorporating these factors into Nepal's economic strategy is essential to optimize the potential of tea and coffee cultivation for both domestic consumption and international trade. The convergence of historical consumer experiences, Nepal's agricultural proficiency, and the regulatory framework forms a foundation for unlocking the latent potential that tea and coffee offer in fostering economic growth, enhancing trade, and preserving cultural heritage.

Tea and Coffee Industry Overview of Nepal (Fiscal Year: 2021/2022)

SN	Description	Tea	Coffee
1	Plantation Area (ha)	20,237	3,346
2	Production (MT)	26,379.49	354.9
3	Export Quantity (MT)	12,496.09	69.52
4	Import Quantity (MT)	203.81	279.82
5	Export Value (NRs ,000)	3,437,186	117,084
6	Import Value (NRs ,000)	83,667	127,591
7	Small Farmers (No.)	15,198	31,389
8	Maximum Potential Area (ha)	1,804,821	1,198,536

Source: National Tea and Coffee Development Board, / www.teacoffee.gov.np

Calculating ratio estimation analysis from,

- Tea Plantation Area (xt) = 20,237 ha, Tea Export Value (yt) = 3.44 billion Nrs
- Coffee Plantation Area (xc) = 3,346 ha, Coffee Export Value (yc) = 0.12 billion Nrs

Now, we estimate the export value for tea if it planted in 1,804,821 ha (xt) and if coffee planted in 1,198,536 ha (xc). Calculated export value for tea in 1,804,821 ha: ≈Rs 307.152 billion. Likewise, the calculated export value for coffee if it is planted in 1,198,536 ha is ≈Rs 42.837 billion.

In this scenario, the projected export value for tea on a 1,804,821-hectare plantation is approximately Rs 307.152 billion. This indicates that a substantial increase in tea plantation area would yield an export value of roughly Rs 307.1 billion. Likewise, if coffee were cultivated across 1,198,536 hectares, the coffee export value would increase by approximately Rs 42.8 billion. This implies that expanding the potential plantation area for both tea and coffee could lead to a substantial increase in export value.

7. Nepal's Current Trade Situation

The trade balance of any nation stands as a pivotal economic indicator, elucidating the disparities between exports and imports. In the Nepalese context, comprehending the ongoing trade imbalance is pivotal to measure the nation's economic intricacies. Over recent years, Nepal has struggled persistently with a trade deficit, wherein imports consistently outpace exports. This disparity holds significant economic complications, influencing foreign reserves, fiscal strength, and overall economic stability.

The origins of Nepal's trade deficit are multifaceted. Foremost, the nation's pronounced reliance on foreign commodities, spanning from machinery to consumer goods, has spurred considerable currency outflow. This reliance on imports stems from limited domestic production capabilities, technological lacking, and a shortage of competitive industries in diverse sectors. Furthermore, the structure of Nepal's exports plays a significant role. Historically, the export portfolio has centered around select items such as agricultural goods, textiles, carpets, and handicrafts. While culturally rich, these goods often confront challenges on the global stage due to shifting consumer preferences, quality concerns, and robust international competition.

Highlighting the agricultural cash crops as priority exports for Nepal, products like tea, coffee, cardamom, ginger, and sugarcane lead this realm. Yet, the nation's diverse topography and climate situation an untapped prospect – the cultivation of tea and coffee. These crops boast international acclaim for their quality, with mounting global demand for organic and specialty variants. Nepal, leveraging its unique geographical and climatic attributes, could potentially diversify its export repertoire and offset the trade deficit. Against this backdrop, exploring into the ongoing trade balance and its contributory factors emerges as paramount. By identifying trade's challenges and opportunities, especially concerning the expansion of tea and coffee cultivation, policymakers and stakeholders can sculpt strategies to rectify the trade imbalance systematically.

This analysis strives to illuminate Nepal's trade intricacies, demanding intervention and attention. Ultimately, it endeavors to forge a path toward sustainable economic growth and encouraged trade parity.

Table: 3

Nepal's Annual Imports, Exports, Trade Deficit and Revenue collection

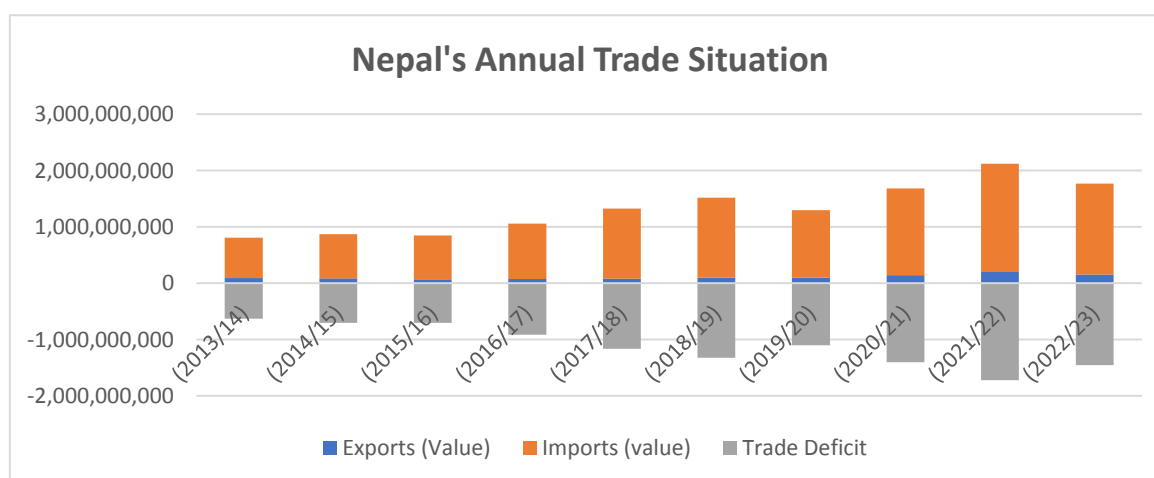
Nrs in 000'

Fiscal Year	Exports (Value)	Imports (value)	Trade Deficit	Revenue collected
2070/71 (2013/14)	89,622,727	716,129,853	(626,507,126)	159,725,260
2071/72 (2014/15)	85,194,754	786,191,403	(700,996,649)	176,113,476
2072/73 (2015/16)	70,254,165	774,712,277	(704,458,112)	195,087,638
2073/74 (2016/17)	73,036,244	984,302,948	(911,266,704)	254,543,588
2074/75 (2017/18)	81,359,796	1,245,103,223	(1,163,743,427)	316,659,199
2075/76 (2018/19)	97,109,521	1,418,535,343	(1,321,425,822)	362,751,921
2076/77 (2019/20)	97,709,105	1,196,799,053	(1,099,089,948)	305,373,059
2077/78 (2020/21)	141,124,080	1,539,837,068	(1,398,712,988)	443,360,657
2078/79 (2021/22)	200,030,962	1,920,448,349	(1,720,417,388)	506,421,007
2079/80 (2022/23)	157,140,695	1,611,731,770	(1,454,591,074)	390,437,104

Source: FY 2022/23 Trade Reports of Nepal, Trade and Exports Promotion Center.

Over the past few years, Nepal has been grappling with a concerning trend of its annual trade deficit worsening. This trade deficit resulting in an imbalance that can have far-reaching economic implications. Nearly half of Nepal's total revenue is affected through the imposition of import and export taxes. This indicates the significant role that international trade plays in contributing to the government's financial resources. However, this heavy reliance on import and export taxes also underscores the vulnerability of the economy to fluctuations in trade dynamics. Trade deficit is reflected in the export-to-import ratio, which currently stands at approximately 1:10. In simpler terms, for every unit of goods or services Nepal imports, it manages to export only about one-tenth of that value. This disparity indicates a trade imbalance that can have cascading effects on various sectors of the economy, including foreign exchange reserves, investment availability, demand creation, employment opportunities, and overall economic growth.

Addressing this issue there is an urgent need to bolster the promotion of Nepalese exports in international markets. This could involve identifying key sectors where Nepal holds a competitive advantage and investing in their growth. Additionally, efforts should be directed towards improving the quality and branding of Nepalese products to make them more appealing to global consumers. Simultaneously, managing and controlling imports is crucial. This could involve evaluating the necessity of certain imports and exploring opportunities for domestic production to replace them. Implementing measures such as import substitution, where domestically manufactured goods replace imported equivalents, can help reduce the trade deficit.

Chart1: Nepal's Annual Trade Situation

Source: FY 2022/23 Trade Reports of Nepal, Trade and Exports Promotion Center.

fostering an environment that encourages innovation, entrepreneurship, and the diversification of exports can contribute to sustainable economic growth. Investing in education and skill development to enhance the country's human capital can lead to the creation of high-value exports and reduce the dependency on low-value imports. Nepal's worsening annual trade deficit situation is a complex issue that demands strategic planning and concerted efforts. By focusing on boosting exports, managing imports, and fostering a conducive economic environment, Nepal can work towards rectifying its trade imbalance and securing a more stable and prosperous economic future.

Table 4

Export and Import of Total trade and agricultural Commodities

(NRs in 10 Million)

Goods	2018/19		2019/20		2020/21		2021/22*	
	import	Export	import	export	import	export	import	Export
Total Trade	141853.5	9711	119679.9	9779.9	153983.7	14112.4	130873.5	14774.6
Agri- goods	232963.6	4035.7	25288.7	5519.5	33940	8886.6	28867.8	10513.9
Tea	11.8	320.4	7.7	278.3	15.1	379.7	7.2	221.5
Coffee	9.8	10	11.9	5.8	10.7	9.6	8.6	4.8

* First Eight Month.

Source: Economic Survey 2021/22, Ministry of Finance Nepal.

Nepal's Economy is of small size. According to the Economic Survey 2022, the GDP in 2022 stood at NRS 5381 billion. The service sector makes the most substantial contribution to the economy at 63%, followed by the agricultural sector at 24%, with the remaining portion allocated to the industrial sector. Throughout the first eight months of 2021/22, imports surpassed exports by a significant factor of 11.3-fold. A substantial 71% of the total exports are attributed to agriculture production. Within this, tea accounts for nearly 3% of exports, while coffee holds an insignificant share. Analyzing the export trends over the last five years, there is no noteworthy growth in these particular products. It is evident that a considerable expansion in tea and coffee exports is necessary to transform the potential into reality.

8. Economic Impact of Tea and Coffee Production

Tea and coffee are two of the world's most popular beverages, consumed by billions of people daily. Beyond their popularity as beverages, tea and coffee production also play a significant role in the global economy. The potential economic benefits associated with expanding tea and coffee production, focusing on job creation, income generation, and their contribution to the Gross Domestic Product (GDP). Expanding tea and coffee production can lead to substantial job creation across the entire value chain. From planting and cultivating tea and coffee plants to harvesting, processing, packaging, and distribution, numerous employment opportunities are generated. In regions where these crops are grown, particularly in developing countries, agriculture often serves as a primary source of employment. The establishment of plantations, processing factories, and distribution networks creates jobs for both skilled and unskilled labor. Additionally, increased production can stimulate job growth in allied industries such as logistics, marketing, and retail.

The expansion of tea and coffee production can have a direct impact on income generation, especially for smallholder farmers in the country. These farmers rely on tea and coffee cultivation as a source of income to support their families and communities. As

production increases, farmers can earn more from their crops, leading to improved livelihoods. The income generated from tea and coffee production can have multiplier effects on local economies. It can lead to increased spending on goods and services, thereby benefiting various sectors and businesses within the region. Tea and coffee production can make substantial contributions to a country's GDP. As production expands, the value of these agricultural products increases, leading to higher economic output. This is particularly true in countries where tea and coffee are major export commodities. The revenue generated from exporting these products contributes to foreign exchange earnings, which can further stabilize the national economy. Additionally, the GDP contribution extends beyond the agricultural sector, encompassing related industries such as manufacturing, trade, and services.

The economic impact of expanding tea and coffee production goes beyond satisfying consumer demand for these beverages. It involves job creation, income generation, and contributions to the GDP of producing countries. By supporting the growth of tea and coffee industries, governments and stakeholders can uplift rural economies, improve the livelihoods of farmers, and foster sustainable economic development. However, a balanced approach considering market dynamics, environmental concerns, and the well-being of agricultural communities is essential to harness the full potential of these crops in driving economic growth.

9. Challenges and Opportunities of tea and coffee producers in Nepal

Tea and coffee industry in Nepal has many challenges as well as some opportunities. Nepal's tea and coffee producers face the challenges of unpredictable weather patterns due to climate change. Erratic rainfall, prolonged droughts, and extreme temperatures can negatively impact crop yields and quality. Unfavorable climate conditions can lead to reduced production and even crop failure, affecting the livelihoods of farmers. Both tea and coffee plants are susceptible to various pests and diseases. Inadequate pest management can lead to significant losses in yield and quality. Common pests include tea mosquito bug and coffee berry borer.

Lack of resources and knowledge to effectively manage these pests can hinder production.

Many tea and coffee producers in Nepal continue to use traditional cultivation methods, which may not be efficient or sustainable. The absence of modern techniques, such as mechanization, efficient irrigation, and precision farming, can limit productivity and hinder overall growth. In remote tea and coffee producing areas, inadequate infrastructure such as roads, transportation, and storage facilities can lead to challenges in getting the products to market in a timely manner. This can result in higher costs, post-harvest losses, and reduced competitiveness. Access to domestic and international markets can be difficult for small-scale producers. They often lack the resources and knowledge to navigate complex supply chains and meet quality standards. Effective branding and marketing strategies are essential for establishing a strong presence in the market.

Nepal's unique geography and diverse climate offer opportunities for producing specialty and organic tea and coffee. Consumers increasingly value products that are sustainably produced, providing an avenue for premium pricing and market differentiation. Nepal's growing tourism industry presents an opportunity for tea and coffee producers to tap into a domestic market and sell their products directly to tourists. Agritourism, including guided tours of plantations, can provide additional revenue streams.

Tea and coffee producers can explore value addition through processing and packaging. Producing artisanal blends, flavored teas, and unique coffee products can attract consumers seeking distinct flavors and experiences. Adopting modern cultivation techniques and technology can lead to increased efficiency and productivity. Training and support in areas such as irrigation management, pest control, and mechanization can significantly improve yields.

The government of Nepal has shown interest in promoting agriculture, including tea and coffee production. Initiatives such as providing subsidies, training, and access to credit can empower farmers and enhance their capabilities. Nepal's tea and coffee products have the potential to expand into international markets. Leveraging the country's reputation for producing high-quality products, exporters can target niche markets with premium offerings.

10. Proposed Ideas and Suggestions

Expanding the cultivation of export-oriented agricultural goods, particularly tea and coffee, demands a collaborative effort involving various stakeholders, spanning from government entities to private enterprises. Here are a couple of recommendations that the policy-making authorities should take into account.

- **Institutional improvement with clear responsibility:** Despite numerous government and non-government institutions established in Nepal to foster tea and coffee promotion, there is a lack of coordination, capacity and resources. There is required a robust and independent entity that can effectively oversee this matter with complete responsibility.
- **Enhance governmental policies:** Evaluate the efficacy of existing government policies and efforts designed to boost tea and coffee production. Enhancing policies, such as prioritization within agricultural plan, policy and program,

providing subsidies, technology transfer, and support for irrigation, fertilizers, and marketing facilities.

- **Encourage farmers and entrepreneurs:** To address the reluctance of numerous farmers and entrepreneurs to expand their business, it is imperative to offer political support, incentives, and recognition schemes that promote tea and coffee production. Additionally, efforts should be made to halt and engage individuals who are considering foreign employment.
- **Market Demand and Export Potential:** Analyzing the global market demand for Nepalese tea and coffee products, exploring potential export markets, and evaluating the strategies to tap into these markets.
- **Quality Improvement and Value Addition:** Exploring strategies to enhance the quality of Nepalese tea and coffee products through better processing techniques, branding, and value addition, which can result in higher export prices.
- **Sustainability and Environmental Concerns:** Addressing the sustainability aspect of expanding tea and coffee production, including the environmental impact, resource management, and potential strategies for eco-friendly cultivation.
- **Capacity Building and Technical Training:** Discussing the importance of providing technical training and capacity-building programs to local farmers to improve cultivation practices, yield, and quality.
- **Case Studies of Successful Expansion:** Showcasing examples of tea and coffee cultivation expansion projects that have effectively contributed to reducing trade imbalance in other countries, and drawing lessons applicable to Nepal.
- **Collaboration with International Organizations:** Investigating the potential for collaboration with international organizations and development agencies to secure funding, expertise, and market access for Nepalese tea and coffee products.
- **Future Prospects and Recommendations:** Providing a forward-looking perspective on the potential impact of expanded tea and coffee production on Nepal's trade imbalance, and offering actionable recommendations for stakeholders involved.

11. Conclusion:

The cultivation, production, and export of tea and coffee encompass multifaceted economic dimensions that hold strategic significance from an export-oriented perspective. The tea and coffee industries intertwine with various sectors including tourism, packaging, branding, and marketing, amplifying their impact. Given the unrelenting demand for these beverages, their supply portends a promising future.

Nepal boasts a rich history of tea and coffee production and export, although the volume of exports has yet to surge. Delving into policy and strategic evaluation, Nepal's potential in tea and coffee production appears highly promising. Projections indicate that Nepal could augment its tea plantation area by a staggering 90-fold and coffee cultivation area by over 200-fold. Aligning with the country's priority of economic development, the favorable climate and cost-effective labor lend further support to the advancement of tea and coffee in Nepal.

The realm of tea and coffee, however, encounters with challenges and impediments. Should the government display a proactive willingness to address these shortcomings, and if farmers and entrepreneurs readily collaborate, Nepal stands to secure

substantial benefits from the export of its tea and coffee. This course points toward a pathway to a stable and self-sustainable economy and prosperous Nepal.

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