

# CONTENTS

MAPS  
PHOTOGRAPHS  
SUMMARY  
CONTENTS  
ABBREVIATIONS  
LIST OF FIGURES  
LIST OF TABLES

	Page
<b>1 INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.2 Objectives of the Study .....	1
1.3 Study Area and Types of the Agricultural Product .....	2
1.4 Study Approach .....	2
<b>2 ASSESSMENT OF THE PRESENT CONDITIONS .....</b>	<b>3</b>
2.1 General Overview Of Nepal .....	3
2.2 Review of the Donors' Projects .....	8
2.3 Present Conditions of the Agriculture Products Marketing in Nepal .....	21
2.4 Weakness and Development Issues of the Marketing System in Nepal .....	73
<b>3 DEVELOPMENT POTENTIAL .....</b>	<b>90</b>
3.1 Horticulture Marketing System .....	90
3.2 Livestock marketing System .....	93
3.3 Fish Marketing System .....	95
3.4 Law, Institution and Organization .....	99
<b>4 INTEGRATED AND COMPREHENSIVE DEVELOPMENT CONCEPT OF MASTER PLAN .....</b>	<b>102</b>
4.1 Development goals .....	102
4.2 Basic principles for the development .....	102
<b>5 MASTER PLAN BY SECTOR .....</b>	<b>104</b>
5.1 Master Plan for Horticulture Marketing System .....	104
5.2 Master Plan for Livestock Marketing System .....	108
5.3 Master Plan for Sanitary Control of Livestock Products .....	112
5.4 Master Plan for Fish Marketing System .....	113
5.5 Master Plan for Market Management System .....	115
<b>6 REGIONAL DEVELOPMENT PLAN .....</b>	<b>123</b>
6.1 Horticulture Marketing System .....	123
6.2 Livestock Marketing System .....	125
6.3 Fish Marketing System .....	127
<b>7 SELECTION OF TARGET SECTORS/AREAS FOR ACTION PLAN .....</b>	<b>129</b>
7.1 Horticulture Marketing System .....	129
7.2 Livestock Marketing System .....	133
7.3 Fish Marketing System .....	135
<b>8 PARTICIPATORY APPROACH FOR DEVELOPMENT OF ACTION PLAN .....</b>	<b>139</b>
8.1 Selection of the target groups .....	139

8.2	Workshop .....	139
8.3	Study Tour.....	141
8.4	Output of Participatory Approach .....	142
<b>9</b>	<b>ACTION PLAN.....</b>	<b>152</b>
9.1	Development Concept of Regional Integrated and Comprehensive Agricultural Marketing System .....	152
9.2	Formulation of the Action Plan by Sector.....	154
<b>10</b>	<b>PROJECT AND COST ESTIMATION.....</b>	<b>228</b>
10.1	Project.....	228
10.2	Condition for Cost Estimation.....	228
10.3	Project Cost .....	228
<b>11</b>	<b>PROJECT EVALUATION .....</b>	<b>229</b>
11.1	Basic Concept of Project Evaluation .....	229
11.2	Economic and Financial Analysis.....	229
11.3	Evaluation of Integrated Marketing System in Central Region (Project 1) .....	230
11.4	Evaluation of Integrated Marketing System in Eastern Region (Project 2) .....	232
<b>12</b>	<b>ENVIRONMENT IMPACT ASSESSMENT .....</b>	<b>234</b>
12.1	Responsible Agency for Environment.....	234
12.2	Environmental Legislation .....	234
12.3	Requirement for IEE or EIA in Environmental Protection Act, 1997.....	235
12.4	IEE Approval Process within MoAC.....	236
12.5	Environmental Issues .....	237
12.6	IEE Process of Master Plan .....	241
12.7	Weaknesses .....	242
12.8	Assessment of Significant Impact from IEE.....	243
12.9	Scoping Items of EIA.....	249
<b>13.</b>	<b>IMPLEMENTATION PROGRAM.....</b>	<b>250</b>
13.1	Technology Transfer.....	250
13.2	Implementation Program.....	253
<b>14</b>	<b>CONCLUSION AND RECOMMENDATIONS.....</b>	<b>259</b>
14.1	Conclusion.....	259
14.2	Recommendation.....	264

## FIGURES AND TABLES

### ANNEX

1	Survey Itinerary
2	List of Interviewees
3	Minutes of Meeting <ul style="list-style-type: none"> <li>• Scope of Work</li> <li>• Inception</li> <li>• Interim Report</li> <li>• Draft Final Report</li> </ul>
4	List of Data Collected
5	Study Team Members and Counterparts List

**Currency Equivalent**

(December 2000)

US\$1.00 = Rs. 73.95

## ABBREVIATIONS

ADB	Asian Development Bank
ADBN	Agriculture Development Bank, Nepal
AEC	Agro-Enterprise Center
AIC	Agriculture Inputs Corporations
ASC/Sub-ASC	Agriculture Service Center/Sub-center
CC	Collection Center
CFRL	Central Food Research Laboratory
CP	Collection Point
DADO	District Agriculture Development Office
DDC	District Development Committee
DDC	Dairy Development Corporation
DLSO	District Livestock Service Office
DoA	Department of Agriculture
DoC	Department of Cooperatives
DoLS	Department of Livestock Services
FAO	Food and Agriculture Organisation
FDD	Fruit Development Division
HMGN	His Majesty_s Government of Nepal
JETRO	Japanese External Trade Organization
JICA	Japan International Cooperation Agency
LMPD	Livestock Market Promotion Directorate
LSC/Sub-LSC	Livestock Service Center/ Sub-center
MDC	Marketing Development Committee
MDD	Market Development Directorate
MIS	Market Information System
MMC	Market Management Committee
MoAC	Ministry of Agriculture and Cooperatives
MRL	Maximum Residue Level
NAMB	Nepal Agricultural Marketing Board
NGO/INGO	Non-Government Organisation/International NGO
NWM	New Wholesale Market
O & M	Operation and Management
PP	Production Pocket
SFCS	Small Farmers Cooperative Society
TLDP	Third Livestock Development Project
UNCDF	United Nations Capital Development Fund
USAID	United States of America Agency for International Development
VA	Value Added
VDC	Village Development Committee
VDD	Vegetable Development Division
WM	Wholesale Market

## LIST OF FIGURES

Figure 1-1	Interview survey sites visited by Study Team Members.....	F-1
Figure 1-2	Interview survey sites visited by the Local Consultant.....	F-2
Figure 2-1	Vegetables imported from India in 99/00.....	F-3
Figure 2-2	Fruits imported from India in 99/00.....	F-4
Figure 2-3	Cauliflower, local Wholesale Price by Market.....	F-5
Figure 2-4	Onions, local Wholesale Price by Market.....	F-6
Figure 2-5	Relationship between Livestock and Agriculture.....	F-7
Figure 2-6	Production Index by Sector, 1984/85 to 1998/99.....	F-8
Figure 2-7	Production Index of Animals Products, 1984/85 to 1998/99.....	F-9
Figure 2-8	Animal Products Production, 1984/85 to 1998/99.....	F-10
Figure 2-9	Change in Animal Products Production, 1992/93 to 1998/99.....	F-11
Figure 2-10	Distribution Pattern of Livestock among Development Areas.....	F-12
Figure 2-11	Flow Chart of Livestock Marketing at Jitpur Market.....	F-13
Figure 2-12	Flow Chart of Marketing of Chicken.....	F-13
Figure 3-1	Fisheries Development Potential Area.....	F-14
Figure 5-1	Proposed Law and Institution for Agricultural Marketing Management System.....	F-15
Figure 5-2	Proposed Government Organization for Agricultural Management System.....	F-16
Figure 5-3	Proposed Market Management Committee (MMC) and Key Actors at Various Level.....	F-17
Figure 5-4	Proposed Agricultural Marketing Management System, Short Term (2005) and Long Term (2015).....	F-18
Figure 5-5	Agricultural Marketing System without the proposed Integrated Marketing System Project in the Central and Eastern Region.....	F-19
Figure 5-6	Agricultural Marketing System with the proposed Integrated Marketing System Project in the Central and Eastern Region.....	F-20
Figure 9-1	Incoming Volume to Kalimati Market, 1990/91 to 1992/2000.....	F-21
Figure 9-2	Vegetables Arrival in Kalimati Market (Sep/Oct 2000).....	F-22
Figure 9-3	Marketing Territory of Kalimati Market.....	F-23
Figure 9-4	Marketing Territory of Tukucha Market.....	F-24
Figure 9-5	Incoming Volume of Fruit to Harsha Market by Month.....	F-25
Figure 9-6	Marketing Territory of Harsha Market.....	F-26
Figure 9-7	Location Map of Proposed Sites for NWM in Kathmandu.....	F-27
Figure 9-8	Layout Plan of NWM in Site A, Kathmandu.....	F-28
Figure 9-9	Layout Plan of NWM in Site B, Kathmandu.....	F-29
Figure 9-10	Drawing of Market Hall-1A in NWM, Kathmandu.....	F-30
Figure 9-11	Drawing of Market Hall-1B in NWM, Kathmandu.....	F-31
Figure 9-12	Drawing of Market Hall-2 in NWM, Kathmandu.....	F-32
Figure 9-13	Drawing of Administration Office and Training Centre in NWM, Kathmandu.....	F-33
Figure 9-14	Drawing of Pilot Project Building in NWM, Kathmandu.....	F-34
Figure 9-15	Location Map of Proposed Sites for NWM in Biratnagar.....	F-35

Figure 9-16	Layout Plan of NWM in Site 1, Biratnagar .....	F-36
Figure 9-17	Layout Plan of NWM in Site 2, Biratnagar .....	F-37
Figure 9-18	Drawing of Wholesale Market Building for Vegetables in NWM, Biratnagar .....	F-38
Figure 9-19	Drawing of Wholesale Market Building for Fruits in NWM, Biratnagar.....	F-39
Figure 9-20	Drawing of Administrative Office and Training Centre in NWM, Biratnagar.....	F-40
Figure 9-21	Drawing of Collection Centre and Pallet Layout in Pre-cooling Storage.....	F-41
Figure 12-1	Methodology for IEE/ EIA.....	F-42

## LIST OF TABLES

Table 2-1	Production of Staple/Cash Crops and Horticultural Crops (1993/94 to 1998/99) .....	T-1
Table 2-2	Horticultural Crops Production by Commodities and Area (1998/99).....	T-1
Table 2-3	Number of Production Pocket Areas by Crop (1999-2001) .....	T-1
Table 2-4	Number of Production Pockets by Development Region and Commodities (1999-2001) .....	T-1
Table 2-5	Projected Production of Horticulture Crops (2011/12) .....	T-2
Table 2-6	Horticulture Production by Region and Commodities (1998/99) .....	T-2
Table 2-7	Domestic Availability of Potato and Spices (1998/99).....	T-3
Table 2-8	Per Capita Consumption of Horticulture Product (1998 and 2000).....	T-3
Table 2-9	Per Capita Consumption of Horticulture Products at Major Urban Area (2000) .....	T-4
Table 2-10	Per Capita Consumption of Horticulture Products in Kathmandu Valley by FAO Master Plan (1999) .....	T-4
Table 2-11	Per Capita Consumption of Horticulture Products in Urban Nepal (1995-1996).....	T-4
Table 2-12	Per Capita Consumption of Horticultural Products in Kathmandu and Lalitpur (2000) .....	T-4
Table 2-13	Comparison of Per Capita Consumption by Various Sources (1995-2000) .....	T-5
Table 2-14	Import of Horticulture Product from India (1998/99).....	T-5
Table 2-15	Export of Horticulture Product to India (1998/99).....	T-6
Table 2-16	Export of High Value Commodity from Kathmandu Airport (2000).....	T-6
Table 2-17	Import/Export Volume at Kakarbitta Check Post (1998/99).....	T-7
Table 2-18	Value of Import/Export Horticultural Product to/from India (1998/99).....	T-7
Table 2-19	Value and volume of Exported Horticulture Product to Bangladesh (1998/99).....	T-7
Table 2-20	Value of Import/Export Horticultural Product to/from India (2000).....	T-7
Table 2-21	Demand and Supply Balance of Horticultural Product in Nepal (2000) .....	T-8
Table 2-22	Origin and Destination of Potato (2000) .....	T-8
Table 2-23	Origin and Destination of Vegetables (2000).....	T-8
Table 2-24	Origin and Destination of Fruits (2000).....	T-9
Table 2-25	Selected Collection Centers' Trading Volume, Products and their Destination.....	T-9
Table 2-26	Selected Wholesale Markets' Trading Volume, Catchment Area, Operation and Function (2000) .....	T-10
Table 2-27	Retail Price at Major Markets (May-July 2000).....	T-10
Table 2-28	Wholesale Price Comparison between Indian Market and Mahendranagar (June-July 2000) .....	T-11
Table 2-29	Buying & Selling Price between Traders at Nepalgunj and Gorahi (July 2000).....	T-11
Table 2-30	Production Cost and Farmgate Price of Vegetables (2000).....	T-11
Table 2-31	Incoming Volume to Kalimati Wholesale Market (96/97 - 99/00).....	T-12
Table 2-32	Incoming Volume of Fruit to Kalimati Market (96/97 - 99/00) .....	T-12
Table 2-33	Trend of Wholesale Prices at Kalimati Market (May/June 1998-2000) .....	T-12
Table 2-34	Advantage and Disadvantage of Proposed FAO Master Plan Project.....	T-13

Table 2-35	Current livestock population (1998/99).....	T-13
Table 2-36	Main source of meat in Nepal, India and Japan.....	T-13
Table 2-37	Various Usages of Livestock.....	T-14
Table 2-38	Regional Characteristics in the Livestock Sector.....	T-15
Table 2-39	Estimated Demand and Supply of Animal Products (1999) .....	T-15
Table 2-40	Production of Pond Cultured Fish by Development Region (1998/99) .....	T-15
Table 2-41	Origin and Destination of the Cultured Fish in Nepal (1998).....	T-16
Table 2-42	Average Fish Retail Price in Different Regions (1999).....	T-17
Table 2-43	Roles, Responsibility and Rights of MMC.....	T-17
Table 3-1	Selection of the Potential Areas for Livestock Sector.....	T-18
Table 3-2	Farmers and Traders Organization for Agricultural Marketing.....	T-19
Table 3-3	Market Management: Market Management Committee (MMC) and Participation of Users (Farmers, Traders, Local Government and MoAC Local Officers).....	T-20
Table 5-1	Number of Horticultural Production Pockets, Area and Production in Eastern and Central Region (1998/99).....	T-21
Table 5-2	Major Factors to support Horticultural Production in Eastern and Central Region (1998/99).....	T-21
Table 9-1	Future Demand and Supply Balance of Horticultural Product in Nepal (2005-2015)..	T-22
Table 9-2	Origin and Destination Projection of Potato (2005-2015).....	T-22
Table 9-3	Origin and Destination Projection of Vegetable (2005-2015).....	T-23
Table 9-4	Origin and Destination Projection of Fruit (2005-2015).....	T-24
Table 9-5	Numbers of Truck and Weight of Cargo coming into Kalimati Wholesale Market (Nov 7-13, 2000).....	T-24
Table 9-6	Incoming Volume except Large Trucks during Daytime coming into Kalimati Wholesale Market (Nov 7-13, 2000).....	T-24
Table 9-7	Origin of trucks coming to Kalimati Market (Nov 7-13, 2000).....	T-25
Table 9-8	Destination and Volume of Outgoing Truck from Kalimati Market (Nov 11-13, 2000) .....	T-25
Table 9-9	Outgoing Volume from Kalimati Market during Daytime (Nov 7-13, 2000).....	T-25
Table 9-10	Balance of Incoming/Outgoing in Kalimati Market (Nov 7-13, 2000).....	T-25
Table 9-11	Willingness of Kalimati Wholesales to Move to the New Wholesale Market.....	T-26
Table 9-12	Numbers of Truck and Weight of Cargo incoming to Tukucha (Nov 7-13, 2000).....	T-26
Table 9-13	Incoming Volume to Tukucha during Daytime (Nov 7-13, 2000) .....	T-26
Table 9-14	Origin of Trucks coming to Tukucha Market (Nov 7-13, 2000).....	T-26
Table 9-15	Destination and Volume of Outgoing Truck from Tukucha Market (Nov 11-13, 2000) .....	T-26
Table 9-16	Outgoing Volume from Tukucha Market during Daytime (Nov 7-13, 2000) .....	T-27
Table 9-17	Balance of Incoming/Outgoing in Tukucha Market (Nov 7-13, 2000).....	T-27
Table 9-18	Willingness of Tukucha Wholesalers Move to the New Wholesale Market.....	T-27
Table 9-19	Incoming Volume of Fruits to Harsha Market (1998-2000).....	T-27
Table 9-20	Numbers of Truck and Weight of Cargo coming into Tukucha Wholesale Market (Nov 7-13, 2000).....	T-27



Table 9-21	Destination and Volume of Outgoing Truck from Harsha Market (Nov 10-12, 2000).	T-28
Table 9-22	Outgoing Volume from Harsha Market during Daytime (Nov 7-13, 2000).....	T-28
Table 9-23	Transaction of Traders in Anam Nagar in a Day.....	T-28
Table 9-24	Existing Marketing Situation in Kathmandu (2000).....	T-29
Table 9-25	Estimation of New Market Capacity for Vegetable (2000 and 2010).....	T-29
Table 9-26	Estimation of New Market Capacity for Fruit (2000 and 2010) .....	T-29
Table 9-27	Projection of Urban and Rural Population in Kathmandu Valley (2000-2010).....	T-29
Table 9-28	Estimation of Demand (2010 and 2015).....	T-30
Table 9-29	Numbers of Truck and Volume of Cargo coming into Gudri Market (Nov 21-23, 2000) .....	T-30
Table 9-30	Incoming Volume except Trucks coming into Gudri Market (Nov 21-23, 2000).....	T-30
Table 9-31	Outgoing Volume from Gudri Market (Nov 22-24, 2000) .....	T-31
Table 9-32	Outgoing Volume from Gudri Market between 9 am to 1 pm (Nov 25-26, 2000) .....	T-31
Table 9-33	Balance of Incoming/Outgoing in Gudri Market.....	T-31
Table 9-34	Existing Marketing Situation in Biratnagar (2000).....	T-32
Table 9-35	Estimation of New Biratnagar Market for Vegetable (2000 and 2010).....	T-32
Table 9-36	Estimation of Demand in Biratnagar (2010 and 2015) .....	T-32
Table 9-37	Forecast of Demand and Supply of Animal Products.....	T-33
Table 9-38	Proposed Transaction System .....	T-36
Table 9-39	Proposed Pricing Mechanism.....	T-37
Table 9-40	Proposed Licensing System.....	T-38
Table 9-41	Proposed Quality Control System .....	T-39
Table 9-42	Proposed Waste Management System.....	T-40
Table 9-43	Proposal for Development of Financial Management System.....	T-41
Table 9-44	Proposed Development Education and Training System.....	T-42
Table 9-45	Details of Facilities for NWM in Kathmandu.....	T-43
Table 9-46	Stall Size for Wholesaler in NWM (Vegetable) at Kathmandu.....	T-44
Table 9-47	Stall Size for Wholesaler in NWM (Fruits) at Kathmandu.....	T-44
Table 9-48	Proposed Personnel for NWM in Kathmandu.....	T-44
Table 9-49	Details of Administration and Training Center of NWM in Kathmandu.....	T-45
Table 9-50	Details of Pilot Project Building of NWM in Kathmandu.....	T-45
Table 9-51	Details of Facilities for NWM in Biratnagar .....	T-46
Table 9-52	Required Floor Area of Stall for Vegetable Wholesaler in NWM at Biratnagar .....	T-47
Table 9-53	Required Floor Area of Stall for Fruit Wholesaler in NWM at Biratnagar.....	T-47
Table 9-54	Proposed Personnel for NWM in Biratnagar .....	T-47
Table 9-55	Details of Administrative Office of NWM in Biratnagar.....	T-48
Table 9-56	Details of Training Center of NWM in Biratnagar.....	T-48
Table 9-57	Proposed sites of Collection Centers in Central Region.....	T-49
Table 9-58	Proposed sites of Collection Centers in Eastern Region.....	T-49
Table 9-59	Proposed Project Components of Collection Centre.....	T-50

Table 9-60	Proposed sites of Livestock Market.....	T-51
Table 9-61	Proposed Project Components of Livestock Market .....	T-51
Table 9-62	Proposed Project Components of Fisheries Collection/ Packing Centre .....	T-52
Table 9-63	Proposed Project Components of Sanitary Control for Livestock Products.....	T-53
Table 10-1	Project Cost for New Wholesale Market in Kathmandu (Site A).....	T-54
Table 10-2	Project Cost for New Wholesale Market in Kathmandu (Site B).....	T-54
Table 10-3	Project Cost for New Wholesale Market in Biratnagar .....	T-55
Table 10-4	Project Cost for Collection Centres in Central Region.....	T-56
Table 10-5	Project Cost for Collection Centres in Eastern Region.....	T-57
Table 10-6	Project Cost for Livestock Marketing System.....	T-58
Table 10-7	Project Cost for Fish Marketing System.....	T-58
Table 10-8	Project Cost for Sanitary Control System .....	T-58
Table 11-1	Benefits of Development of the Integrated Horticulture Marketing System in the Central Region and Eastern Region.....	T-59
Table 11-2	Benefits of Construction of Slaughter Slabs for Livestock.....	T-60
Table 11-3	Benefits of Construction of Livestock Markets.....	T-60
Table 11-4	Benefits of Establishing of Sustainable and Efficient Fish Distribution Chain in Central and Eastern Region .....	T-61
Table 11-5	Physical Life, Depreciation, and Maintenance of Project Components at Central Region .....	T-62
Table 11-6	Benefits of New Wholesale Market and 5 Collection Centers at Central Region .....	T-63
Table 11-7	Annual Operation Cost of New Wholesale Market at Kathmandu and 5 Collection Centers, Central Region.....	T-64
Table 11-8	Economic Evaluation of New Wholesale Market and 5 Collection Centers in Central Region.....	T-65
Table 11-9	Economic Sensitivity Analysis of New Wholesale Market and 5 CC, Central Region .....	T-66
Table 11-10	Annual Revenue of New Wholesale Market and 5 Collection Centers in Central Region .....	T-67
Table 11-11	Income Statement and Cash Flow for New Wholesale Market and all 5 Collection Centers in Central Region.....	T-68
Table 11-12	Income Statement and Cash Flow for New Wholesale Market at Kathmandu, Central Region .....	T-69
Table 11-13	Income Statement and Cash Flow for a Collection Centre.....	T-70
Table 11-14	Financial Sensitivity Analysis of New Wholesale Market and 5 Collection Centers, Central Region.....	T-71
Table 11-15	Physical Life, Depreciation, and Maintenance of Project Components at Eastern Region .....	T-72
Table 11-16	Benefits of Biratnagar New Wholesale Market and 4 Collection Centers, Eastern Region .....	T-73
Table 11-17	Annual Operation Cost of New Wholesale Market at Biratnagar and 4 Collection Centers, Eastern Region.....	T-74

Table 11-18	Economic Evaluation of New Wholesale Market and 4 Collection Centers in Eastern Region.....	T-75
Table 11-19	Economic Sensitivity Analysis of New Wholesale Market and 4 CC, Eastern Region .....	T-76
Table 11-20	Annual Revenue of New Wholesale Market and 4 Collection Centers in Eastern Region .....	T-77
Table 11-21	Income Statement and Cash Flow for New Wholesale Market and all 4 Collection Centers in Eastern Region.....	T-78
Table 11-22	Income Statement and Cash Flow for New Wholesale Market at Biratnagar, Eastern Region .....	T-79
Table 11-23	Financial Sensitivity Analysis of New Wholesale Market and 4 Collection Centers, Eastern Region.....	T-80
Table 13-1	Education and Training Plan for the Agricultural Marketing Development in the Kingdom of Nepal (Sheet 1 to 5).....	T-81