



The Panchthar Premium Cardamom Project (PPCP)

Time frame: May 2007 to September 2008

Grant amount: US \$ 49,995

Donor: Phoenix Fund

Partner: Large Cardamom Entrepreneurs Association of Nepal

Geographical location: Panchthar District, Mechi hills of Nepal

The Challenge

Nepal, with a population of about 23 million people, is the 12th poorest country in the world with a per capital income of US \$ 244 and ranking 142 of 177 in the Human Development Index (2006).

90% of eastern Nepal's population live in rural areas and grow crops that suffice for less than six months. For the last 30 years farmers have grown cardamom as a cash crop on small plots of marginal lands, receiving relatively low prices due to their lack of market knowledge, poor processing, limited business skills among others. The cardamom industry in general, including its exporters, has suffered from being tied to cross-border traders in India, which has limited the access to more profitable markets, and from a disorganized approach to grading, branding and product delivery. Profit margins by respective stakeholders within the market chain show that the Nepal Cardamom industry is at the least profitable end of the value chain (Table below). The good news is that profit margins can be increased, which will increase farmer incomes, thus adding great economic benefit to the local and national economy.

Analysis of Profit Margins within Nepal Cardamom Industry

Stakeholder	Production/Purchase Cost per kg. (USD)	Sale Price per Kg. (USD)	Profit Margin per Kg. (USD)
Smallholder Farmer	2.10	2.33	0.23
Local Buyer	2.33	2.70	0.37
Nepal Exporter	2.70	3.80	1.10
India Importer/Reseller	3.80	10.90	7.10

The Opportunity

The project aimed to raise incomes of the most marginalized smallholder farmers in the Panchthar district by helping farmers and exporters increase their market share of more profitable premium grade, large cardamom. Large cardamom offers a unique opportunity because it offers: high scalability (< 21,960 Nepalese producers); needs few production inputs; protects fragile, hillside soils¹; has high value per weight; and has an unmet demand for premium product on the global market. The project's target participants included smallholder cardamom farmers and export traders. Pilot activities included: i) assisting 100 cardamom farmers to increase profit margins and negotiate better terms of trade with exporters through improved on-farm drying technology and cost-savings from direct sale of fresh cardamom to exporters; and ii) assisting exporters to improve their competitiveness within the global market via improved processing, grading, and international marketing.

¹ Cardamom is grown on marginal low-arable hill slopes and requires tree cover

Interventions

Panchthar Premium Cardamom Project had used market information and purchasing requirements of buyers, at all stages of the market chain, to ensure maximum profitability and business sustainability.

At the production level, farmers increase profit margin and income via improved processing, strengthened business planning, and increased capacity to negotiate and trade with their end buyers.

At the exporter level, traders increase sales and income by gaining greater market share of higher value cardamom markets globally via improved product grading, packaging and branding, improved relations with producers, and via the development of a national level trade promotion association.





Achievements

- The project helped 120 participating farming households to achieve a 60% increase in profit per unit of production.
- In cooperation with local Chambers of Commerce, producers, and exporters, the project facilitated the abolition of the "FAWA" system, in which producers were obliged to give traders 1 kg. per 40 kgs. of cardamom sold. Once enacted across all 6,000 MTs of nationwide production, a savings of \$420,000 to farmers will be realized.
- Nine cardamom farmers groups (120 households) have been assisted with improved processing, business management skills, and understanding the market and buyers' needs.
- The first nationwide cardamom trade association, the Large Cardamom Entrepreneurs' Association of Nepal (LCEAN), was formed by major exporters in Eastern Nepal, with support from the Jhapa Chamber of Commerce and Mercy Corps.
- Testing of drying quality and fuel wood efficiency of 3 different cardamom drying stoves completed with Alternative Energy Development Center and the Central Food Research Laboratory, Kathmandu.
- Lessons learned are being shared, including by presenting the project approach at the 8th Annual ILO Making Markets Work for the Poor in Thailand conference (2007), and opportunities for replicating the approach are being tested with other organizations for other products and geographic areas.
- Improved grading sieve technology provided farmers an immediate profit of almost 10% for their larger cardamom and an overall increase in profit by 2.7% for larger graded cardamom and smaller pods combined.