



Linkages and Impacts of Cross-Border Informal Trade in Agricultural Inputs: A Case Study of Nepal

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BACKGROUND

- To understand the dynamics of informal trade in across the border of India and Bangladesh and India and Nepal
- Figure out the drivers of such informal trade
- Explore the impacts of informal trade in:
 - agricultural inputs (viz. seeds, chemical fertilizers, machinery)
 - livelihoods of farmers
 - gender dimensions
- CUTS International (India); Unnayan Shamannay (Bangladesh); and SAWTEE (Nepal)

METHODOLOGY

- Qualitative research (Literature Review, KII, FGD, Questionnaires)
- Surveyed 60 small holder farming households
- Locations in Nepal: Kaptangunj VDC, Sunsari and Giddha VDC in Dhanusha
- Selected agriculture inputs for the study: potato seeds, certain variety of paddy seeds, vegetable seeds; Diammonium Phosphate (DAP); power sprayer

- Kaptangunj: 30 km from Inaruwa; market across border: Fulkaha; mini custom point at the border

Giddha: 22 km from Janakpur; market across border: Mahinathpur and Duhabi; no customs

FORMAL TRADING OF AGRICULTURE INPUTS BETWEEN NEPAL AND INDIA

Nepal's import from India in US\$' 000 Nepal's export to India in US\$' 000

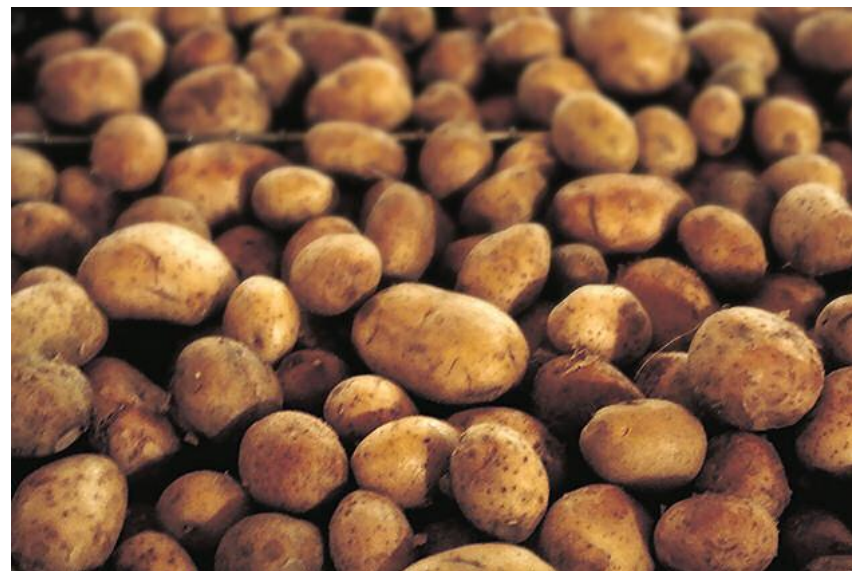
	2013	2014	2015
Seeds	36,026	46,513	47,339
Fertilizer	15,286	10,743	11,083
Machinery	35,516	42,281	25,600

	2013	2014	2015
Seeds	53	98	62
Fertilizer	0	0	0
Machinery	1,633	187	1,472

INFORMAL TRADE OF SEEDS

Potato and vegetable seeds

- Depending on variety, on an average sow 2600 kg/acre
- Of the required amount, 80 per cent through formal channel rest informally
- Price difference between formally imported and informally brought variety: NPR 3 per kilo (Winter 2016)
- Some varieties of vegetable seeds only available in Indian side
- Vegetable seeds requirement small in quantity



INFORMAL TRADE OF SEEDS

Sona Mansuli paddy seed

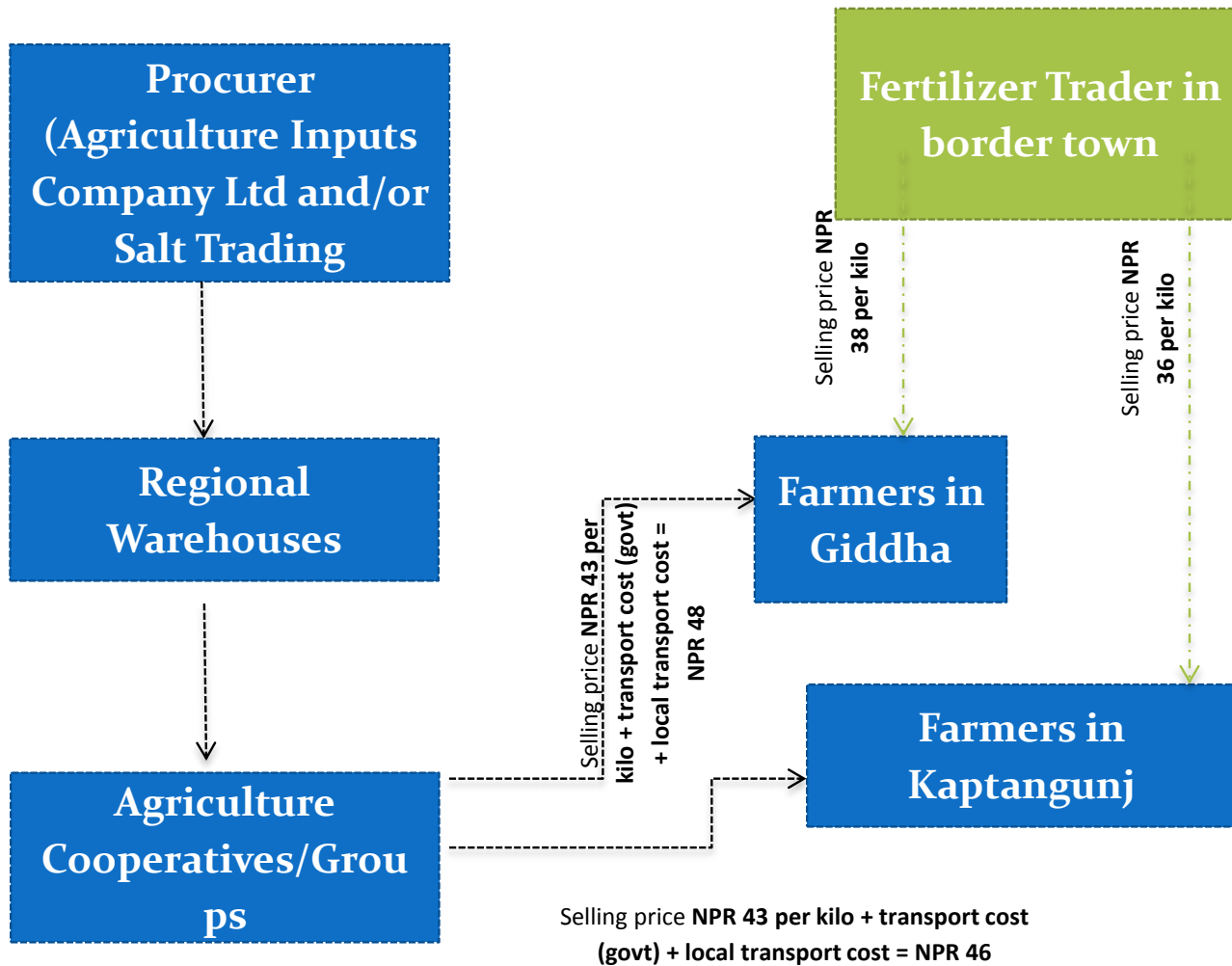
- On an average 30 kilo per acre
- Restricted in Nepal due to susceptibility to diseases
- Mostly bought from nearby markets across border, in some cases, from Jainagar
- Considered to be highly productive compared to other varieties



INFORMAL TRADE OF FERTILIZERS (DAP)

- In two sites, on an average annual consumption range between 300 kilo to 550 kilo per acre, depending on the types of crops
- Farmers in Nepal highly dependent on India for fertilizer as domestic supply is sporadic and unreliable
- A kilo of DAP cost between NPR 46-48 in Nepal and in India NPR 36-38
- Nepal's state supplied fertilizer considered to be superior in quality

SUPPLY CHAIN



INFORMAL TRADE OF MACHINERIES

- Small machineries such as power sprayer mostly bought from across border
- Prices almost half in India than in Nepal
- Quality also superior
- Nepal government provides subsidy but process cumbersome



MAJOR DRIVERS OF INFORMAL TRADE

- Easy accessibility across border
- Lower Price
- Low transportation cost
- Productivity
- Absence of formal border points
- Proximity of the local market
- Cultural, social and ethnic relation

IMPLICATIONS ON LIVELIHOOD



- Increased income (between 15-30%)
- Increased expenditure on education and health facilities
- Improved housing and sanitation condition

GENDER DIMENSION



- Women are both vehicle and beneficiary of informal trade
- Outflow of men for foreign employment has increased number of women-headed farming household in the area increasing their participation in informal trading
- Border patrol forces are considered relatively lenient on women carrying agriculture inputs, mostly, fertilizers, so women aids to carry those goods sought by family members

Policy Recommendations

- Ensure regular domestic supply of the inputs
- Ensure price competitiveness of inputs between Nepal and India
- Facilitate frontier trade at customs and border points
- Reduce documentary and procedural hassles for farmers to obtain inputs and subsidies
- Create awareness about better substitutes available in Nepal



Thank You