

Peasants in Nepal Are at the Mercy of the Agriculture Value Chain

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Abstract

Nepal's agriculture is dominated by smallholder peasantry practicing subsistence farming with limited integration into market systems. Despite agriculture employing a majority of the population, farmers remain economically marginalized due to their weak position within fragmented and inefficient value chains. This study was necessary to understand how the agricultural value chain dynamics influence peasant livelihoods and to highlight pathways for their economic upliftment. The major finding reveals that farmers in Nepal are at the mercy of intermediaries, with limited bargaining power, access to markets, or infrastructure, resulting in low farm-gate prices and persistent poverty. Secondary data analysis shows that poor post-harvest facilities, inadequate cooperative structures, and lack of market information exacerbate farmers' vulnerabilities. Comparisons between traditional farming systems and emerging value chain initiatives indicate that without systemic support, including investment in rural infrastructure and farmer organization, value chain benefits will remain inaccessible to most peasants. The study concludes that strengthening farmers' linkages within value chains is crucial for enhancing rural livelihoods, promoting food security, and achieving inclusive agricultural development in Nepal.

Key words: Nepalese peasantry, food security, smallholder farmers, rural livelihoods, agricultural commercialization

Introduction

Throughout the year, snow covering Mount Everest, the highest peak in the world, is located in Nepal, in the Northern Himalayan range. The middle range contains hills,

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valleys, and lakes. An alluvial plain with verdant forests, national parks, wildlife reserves, and conservation zones is the Terai, sometimes referred to as the Southern Range. Temperatures and rainfall vary everywhere. In addition, 26.5 million people from more than 60 castes and ethnic groups live in a variety of climates and geographical locations. Nepal is a shining example of maintaining its national identity as an independent sovereign state while maintaining historical unity amid diversity (FAO, 2022). According to Dahal (2018), subsistence farming was a major component of the peasantry and was characterized by the pervasiveness of the agrarian economy for a long amount of time in Nepal's central highlands. Nepal's peasantry has long been depicted as a socially static setting, largely engaged in subsistence farming and reliant on antiquated agrarian equipment.

According to NDB (2022), the majority of Nepal's peasants are impoverished as a result of substance manufacturing. They live in tiny houses or huts. They eat poor food and wear shoddy clothes. The majority of them lack literacy. They don't notice the outside world since they are too preoccupied with their task. They live in a dirty environment. They don't understand hygiene or cleanliness. It is the cause of their ailments. Their great poverty prevents them from being able to send their children to school. The majority of peasants possess small pieces of land. The land's output is insufficient to support them and their families. Some peasants are landless, own less than one hectare of land, and make only enough money to cover their essential costs. The majority of them can't eat twice a day. There aren't many side gigs for them. They do nothing during the off-season. They are not as rich as landed peasants and work other people's land.

The labor season is a busy period for the peasants, according to NEF (2023), which discussed the state of the economy. They labor in the fields from sunrise to sunset. Their spouses and children assist them. They use spades as well as hoes. Peasants in the plains plow their fields with the help of oxen, whilst those in the hills and valleys usually dig their fields with spades. The peasantry keep a variety of animals, including cows, oxen, goats, and sheep. In addition to aiding them with their work and providing a small income, these animals also provide them with milk.

But according to FAO (2022) calculations, the country's economic development hasn't advanced over time to outpace population growth. The steadily increasing population (1.35%) has outpaced the gains from the developmental endeavors. Over half (57%) of the working-age population is said to be economically active, with (81%) of them engaged in agricultural activity. The non-agricultural sector's share of the GDP is continuously increasing. Likewise, Nepal has a wealth of agro-biodiversity. Buckwheat, rice, maize, millet, wheat, and barley are the main food crops. Similar to this, while oilseeds, potatoes, tobacco, sugarcane, jute, cotton, and lentils, gram, pigeon pea, blackgram, horsegram, and soybean are important pulse crops, they are also significant cash crops. In addition, Nepal is well-known for its zinger, turmeric, cardamom, and orthodox tea. To protect themselves from unpredictable weather and other unfavorable agronomic circumstances, the majority of Nepalese farmers cultivate a variety of crops.

Another important source of income for rural Nepalese farm households is livestock. livestock-derived goods that are marketed for profit. To support their financial needs, farm households mostly rely on the sale of meat, eggs, live animals, poultry, yoghurt, cheese, ghee, chhurpi, and milk. While farmers in the hills produce cows, sheep, goats, and rural fowl, those in the highlands usually breed sheep and Yak or Chauri, a type of Himalayan cow. They raise cattle, goats, buffalo, and fowl in the Terai. In the Terai and highlands, chicken farming is a developing industry. The main sources of farm power are labor from humans and animals (MoALD, 2021).

The relationship between Nepal and peasants, the latter historically defined as the pervasiveness of an agrarian economy, is examined. For a long time, the main component of the peasantry in Nepal's central highlands was subsistence farming. Nepal's peasantry has long been depicted as a socially static setting, largely engaged in subsistence farming and reliant on antiquated agrarian equipment. However, scholars and political activists who are active in the peasant movement have acknowledged its unfairness (Dahal, 2017).

However, it's crucial to remember that a peasant's efforts are influenced by more than simply the requirements of their own lifestyle. Within any larger system, there is always a peasantry. Therefore, the allocation of labor within the group to which a farmer belongs and the laws governing that distribution determine how much work the peasant must perform to replace its means of production or cover its ceremonial costs. Therefore, meeting these demands may not require much effort in certain civilizations. This is true, for example, in a society where men grow their own food and make their own tools (Wolf, 1966).

All of these non-farm activities, both within and outside of rural areas, can help reduce rural poverty. But development initiatives are needed, just like in farming. These include organizing a group, providing seed money, providing training and instruction to acquire the fundamental and methodical knowledge required to participate in these nonfarm activities, etc. Given these factors, the purpose of this study is to provide a broad picture of the peasantry in Nepal's montane region by enumerating the essential components of subsistence montane farming and the activities of farmers concerning food security at the village level in three different contexts: the developed region, the recently developing region, and the remote and underdeveloped region (Marharjan, 2021).

In this way, the connection to the agricultural value chain is a historical characteristic of Nepal, the peasantry system, and their agricultural products. Agriculture is the main industry in Nepal's rural areas, where about (63%) of the population resides. Rural residents would not be able to fully benefit from their production in the absence of agriculture value chain growth because they rely heavily on agricultural products for their livelihood. It seems important to research Nepal's peasantry and how they relate to the agricultural industry. The main objectives of the study, to analyze the agriculture value chain and peasantry inter-relation of Nepal and the way of agriculture value chain support peasantry

in Nepal and compare the agricultural production system with the development of value chains.

Methodology

The research adopts a qualitative and descriptive methodology, relying primarily on secondary data sources to explore key themes in Nepal's agricultural sector. The approach allows for an in-depth understanding of complex social and economic phenomena without the need for direct field intervention. By focusing on existing literature and documented evidence, the study seeks to draw meaningful insights and establish a comprehensive narrative around the topics of interest.

Data were gathered through a systematic review of published journal articles, academic books, and official reports from relevant institutions. This method enables the researcher to synthesize a wide range of perspectives and empirical findings, ensuring a holistic examination of the issues under study. The secondary data also provides a foundation for identifying patterns and trends in agricultural practices and market behavior over time.

A comparative analysis framework has been employed to examine three interrelated dimensions. First, the study investigates the traditional peasant agricultural system in Nepal, considering its historical roots, sustainability, and limitations. Second, it explores the role of agricultural value chains in enhancing or at times constraining the livelihoods of smallholder farmers. The study analyzes the relationship between production practices and market integration, assessing how the value chain mediates access to markets and influences production decisions. This comparative approach allows for a nuanced evaluation of the shifts occurring within the agricultural sector and their implications for rural development.

Result and Discussion

Discourse of Historical Context of Peasantry and Nepal

Understanding the value chain in the context of Nepal is essential for anyone studying agriculture because peasants are the producers who are always at the bottom of the production sector. Thus, from the perspective of the manufacturing plant itself, expanding scale made it possible to separate the work process into a greater number of workstations. Additionally, it discusses the use of "scientific management" strategies to increase the efficiency of each of these workstations. From the 1890s until the late 1970s, this process of production organization was widely used. In the earliest examples of electronically automated industrial processes, it even influenced how new automated technology was viewed as "islands of automation". However, the approach to intra-plant and interfirm production organization is shifting toward a more systemic focus. First, by applying just-in-time principles to production flow, it was evident that striving for "island-efficiency" often led to systemic inefficiencies and bottlenecks. Accordingly, it was sometimes required to

accept "inefficiency" at a given stage of the production process in order to achieve plant efficiency (IRDC, 2000).

It discussed the objective of inventory reduction and its significance. As previously stated, this means that individual workers should only complete their work if it is required for the next step in the production process; if not, they should stop and avoid "pushing" additional materials for ongoing projects onto the next worker, which will only result in an accumulation of work-in-progress. The system as a whole will operate with lower inventories, greater responsiveness, and higher quality standards, even though each employee may become less "productive" during the process (Rai, 2010).

According to Prindle (1979), who cited a peasant culture and the Nepalese example of famine, the socioeconomic structure of the community also offered means of igniting growth during a regular time when the crop was a successful one. This arrangement is similar to that of many "natural" biotic communities, where a sizable. After discussing this system, it demonstrated an approach to economic rationality that prioritizes the long-term minimal product over the immediate marginal product.

Agricultural Value Chains and Smallholder Participation

Three interrelated state obligations are contained in the Nepalese Constitution (AI Nepal, 2019). Article 40 (5) of the Constitution's fundamental rights chapter states, among other things, that "The State shall provide land on a one-off basis to the landless Dalits in accordance with law." Article 40 (5) also helps to fulfill the goals of the right to substantive equality under Article 18.31 and the right to live with dignity³⁰ under Article 16 because of the significance of land access in achieving the rights of communities that have historically faced discrimination in a predominantly agrarian society.

But in order to actually implement this right, there needs to be a legal definition of landless Dalits, a set of standards for identifying landless Dalit families, an estimate of the amount of land required to shield landless Dalit families from destitution, hunger, and human rights abuses, as well as established protocols for land distribution. Under this sense, land for production by peasants is provided for under the Nepalese constitution.

Structural Constraints Facing Peasant Farmers

The movement of people, businesses, products and services, capital, information, and ideas across national borders is known as globalization. Even though cross-border trade has been going on for centuries, it has grown in volume and geographic reach in the contemporary era thanks to bilateral and multilateral trade agreements, international investments, and advancements in information and communications technology. Almost all nations in the world today are growing economically to varying degrees and are incorporated into the global economy to some degree. Economic growth generally lowers poverty, although it

does so at varying rates depending on the situation. The nations with the most equitable income distribution see the biggest reductions in poverty (USAID, 2007).

Firm and industry competitiveness are linked with respect to the value chain. Enhancing the firm's competitiveness can only result in long-term wealth creation and poverty reduction if interventions are made at every stage of the value chain, raising the industry's competitiveness in the same way. Once more, combining economic growth with poverty reduction can be accomplished by focusing on sectors like agriculture and the unorganized sector, which are hubs for the poor, encouraging tactics to boost these sectors' competitiveness, and guaranteeing equitable benefits for all stakeholders involved in these sectors (ILO, 2008).

The value chain's numerous steps. The supply of inputs comes first, then manufacturing, gathering, processing, and selling. The actors in the chain who are participating at each level are shown in blue. Occasionally, an actor may perform in more than one stage. On the right side of the diagram are the organizations that support the value chain participants (FRI, 2014). The value chain identifies three key participants: "function," "actors," and "enablers." The image shows two types of linking: a) vertical and b) horizontal. the connections and cooperation between each level of the value chain map actor. Every stage is connected in terms of actors, facilitators, and functions, indicating a functional relationship.

Global Value Chains and Opportunities for Upgrading

The World Bank (2020) states that the emergence of global value chains (GVCs) after 1990 drove a sharp increase in international trade. This expansion enabled unprecedented convergence: impoverished nations grew more quickly and began to catch up to wealthier nations. The decline in poverty was steep. The dispersion of manufacturing beyond national borders and the expansion of business relationships served as the main drivers of these improvements. As companies searched everywhere for efficiency, parts and components began to travel the world. Among the nations that became essential to GVCs were Bangladesh, China, and Vietnam, where productivity and incomes increased. It was in those countries that poverty declined the steepest.

The amount of products and services traded globally, which is currently valued at over \$20 trillion, involves a considerable degree of double-counting. A country's extracted raw materials may be exported to another for processing, then to a third country's manufacturing facility, and finally to a fourth country for final consumption. Any end-product produced by a typical GVC for end consumption will comprise activities from a variety of sectors and industries, including manufacturing, services value added throughout the chain, extractive industries, and primary sector activities (UNCTAD, 2013).

The term "value chain" refers to the entire set of operations needed to take a product or service from its inception to the various stages of production (which include both

physical transformation and the input of different producer services), delivery to end users, and disposal at the end of its useful life. When seen in its broadest sense, it has the form mentioned (IRDC, 2000). This shows that production is just one link in a value chain with many other value-added components. Furthermore, each link in the chain contains a variety of activities.

Although often depicted as a vertical chain, intra-chain linkages are most often of a two-way nature – for example, specialized design agencies not only influence the nature of the production process and marketing, but are in turn influenced by the constraints in these downstream links in the chain.

Value chain analysis highlights these four problems significantly. Of course, this is not the entire picture; to be comprehensive, it would also need to address political concerns (especially those pertaining to the rate and productivity of investment), macroeconomic issues (especially those pertaining to capital flows and their volatility), and social capital determinants. Nevertheless, value chain analysis transcends traditional economic and social research methods by focusing on the dynamics of interconnections within the productive sector, particularly how businesses and nations are globally integrated. Value chain analysis overcomes several significant shortcomings of traditional sectoral analysis, which tends to be static and restricted by its own narrow parameters.

It finds it difficult to handle dynamic links between productive activities that cross sectoral boundaries or between formal and informal sector activities when it limits its study to the sector level. Additionally, value chain analysis transcends the firm-specific analysis seen in most innovation literature. Because of its emphasis on connections, it makes it simple to identify the dynamic flow of organizational, coercive, and economic activity across producers across various industries, even on a worldwide basis.

Theoretical Frameworks and Methodological Approaches

Providing consumers with high-quality goods at competitive costs is the foundation of agricultural commercialization. Rather than being consumed on the farm, it entails producing specialized goods for sale and using the money earned from sales to pay for necessities for the family and the farm. All parties involved in the delivery chain, from producer to customer, need to work together, profitably, and efficiently in order to optimize the benefits of the economic activity and ensure sustainability. Each link in the chain needs to be functioning with the most suitable technology, fully aware of market demands, and in a business environment where trade barriers are kept to a minimum, acceptable quality controls are implemented, and taxes are applied in a fair and transparent manner (ADB, 2011).

By examining the agribusiness value chain and promoting the idea of commercialization, STARTUPS (2018) demonstrates how the necessary reforms for the agriculture sector may be put into practice by making strong and dynamic changes to the cultivation and marketing

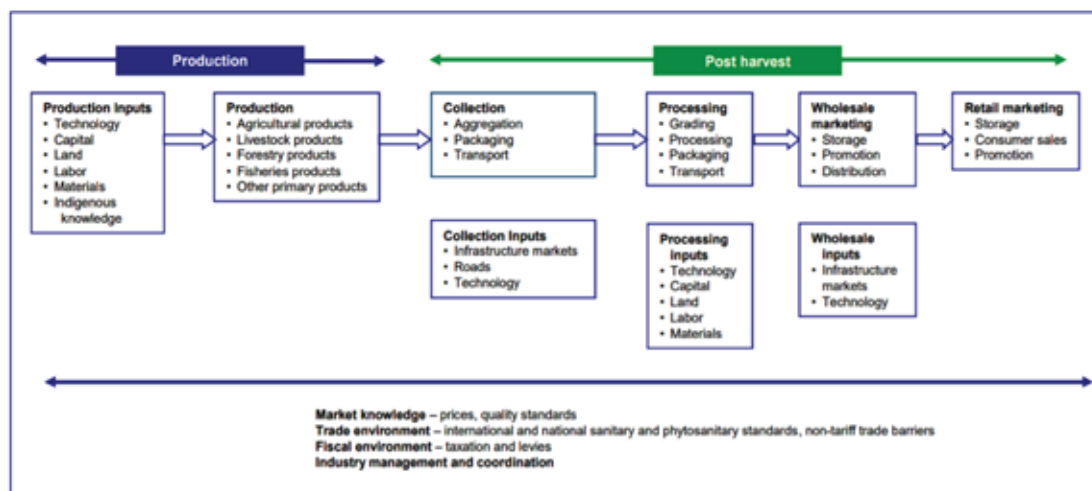
processes. In an economy where agriculture is a significant industry, production remains stagnant and our reliance on imports grows. Improved marketing strategies and venues for information sharing are necessary for all stakeholders involved in the agricultural process, from farmers to distributors and market participants. The operation of agribusinesses can be improved to address many of these problems.

The value chain for agribusiness has a lot of potential to boost Nepal's agricultural output and competitiveness. The performance of the industry can be significantly raised by addressing the important issues of commercialization, efficient value chain management, and improved marketing techniques. The country's food security, economic development, and poverty reduction can be effectively achieved through the agribusiness value chain, which promotes improved coordination and collaboration among all market participants. For the value chain to operate effectively, producers must be connected, there must be strong ties between them, and there must be effective communication between all parties involved regarding market information (Bhandari, 2024).

Similar to how the agriculture value chain is defined, the requirement for an institutional setup that will continuously offer active supervision and coordination for the entire value chain system is crucial. The performance of the value chain is unlikely to increase sustainably with isolated or unconnected inputs; instead, a systematic approach and complementary input program must be implemented (ADB, 2011).

Figure 1,

Generic Agriculture Value Chain System



Source : Adapted from ADB, 2011

Furthermore, a value chain is the arrangement of the parties and stages that make up the process from product creation to market delivery. A value chain and a supply chain

are not the same thing. Value chains are made up of connections that provide benefits to the end user. The processes that move and turn raw materials into finished goods and deliver them from producers to consumers are called supply chains. A supply chain is about logistics, whereas a value chain is about creating value for the customer. AVC depth, productivity, and efficiency are key factors to propel agribusiness and commercial agriculture. Global value chains are in place, and farmers in Asia and the Pacific area compete with growers and exporters in Africa, Europe, and the Americas (ADB, 2012).

According to CTA, 2016) small-scale farmers face numerous difficulties in moving from being producers of produce sold in an ad hoc way at local markets, to village or itinerant traders or to local mills or oilseed crushers, to producing for more sophisticated markets that are based on supplying products that comply with specific consumer demand. Poor access to planting materials, high-quality animal breeds, other inputs like fertilizer or feed, lack of knowledge about disease prevention or sustainable agricultural techniques to increase yields, poor farmer organization that limits economies of scale required to draw in dependable buyers and the farmers' ability to negotiate from strength, inadequate transportation, challenges in meeting quality standards, and lack of access are a few examples of these challenges credit availability for tools, materials, and, occasionally, labor costs associated with clearing, weeding, and harvesting land.

The value-chain view of global economic integration highlights that for many industries access to international markets is not achieved merely through designing, making and marketing new products. Instead, it involves gaining entry into international design, production and marketing networks consisting of many different firms. Understanding how these value chains operate is very important for developing-country firms and policymakers because the way chains are structured has implications for newcomers. How can economic actors gain access to the skills, competences and supporting services required to participate in global value chains? What potential is there for firms, industries and societies from the developing world to 'upgrade' by actively changing the way they are linked to global value chains? (Gereffi, etal, 2001).The conclusion, investigated the practical significance of income growth by examining the relationship between project-led income growth and household dietary diversity, food security and resilience. The intervention increased household dietary diversity, reduced food insecurity and improved household resilience. These impacts were primarily mediated via project-led income growth. In addition, the intervention might have increased food security by reducing agricultural prices in project areas, but we have no way of testing that (IFAD, 2021).

The diminishing contribution of agriculture sector also reflects the lower productivity of sector as well. As GDP growth still relying on AGDP growth, the two digits of GDP growth can only be achieved with minimum (6%) of AGDP growth which seems unlikely with current trends of relying production growth mainly on monsoon. This year's agriculture growth is expected only at (2.8%) due to the shrinkage of main crops rice

by (1.5%). Rice which contributes to (20.8%) to AGDP was heavily affected by unlikely climate and floods in Terai region. The growth of agriculture sector was limited only to (2.9%) during last decade. However other sectors are expected to grow by large percentage due to regular availability of energy and petroleum. Industry sector whose growth was stagnated to (3%) during last decade is expected to grow by (8%) this year, which is good indication despite lower growth of agriculture (MoALMCD, 2018).

Agriculture value chain in Nepal

World Bank defined that some opportunities, Nepal has a comparative advantage for a range of agriculture products, though not generally lowland field crops. Varied agro-climatic zones allow tropical, sub-tropical and temperate crops to be produced and counter-seasonal production. There are varied opportunities for market-driven growth: spices, fruit juices, and tea are the largest export-generating and fastest growing agribusiness subsectors. (World Bank, 2018) mention some primary products of agriculture sector of Nepal is the global market leader in large cardamom in terms of production and value. Fresh apples, coffee, honey, and cut flowers have the potential to leverage agri-climatic conditions and build on the perceived uniqueness of Nepalese products. Ginger is an export earner but volatile prices and an inability to comply with phytosanitary standards is constraining growth. Vegetables, a smallholder crop, are grown for the domestic market and has growth potential. Strengthening the supply chain from farm to retail is needed, but first-mover costs will be high (World Bank, 2018).

Again, described about some other subsector, poultry has been a growth subsector, for meat and eggs, benefiting from rising incomes and lower costs of poultry versus other meat, but there are signs of market saturation especially for commercial broilers and eggs. Other kinds of meat are also growing, particularly goat. Fresh meat dominates the industry, keeping it localized, with few larger players outside of poultry. Dairy also has opportunities for growth but must better manage natural differences in seasonal supply and demand. Rice and maize comprise the two largest cereal crops in terms of production and participation of small-scale producers. However, production of each crop is characterized by low yields and high costs of production. In cereals, access to reliable irrigation is likely to be a key factor in raising competitiveness. On the processing side, despite the presence of larger business houses with processing facilities, both subsectors are less competitive in efficiency and quality than competitors in India with around (80%) of rice mills in eastern Nepal having shut down (World Bank, 2018)

As the same way, the agribusiness sector is small and domestically focused. A few large business houses have stakes in larger traditional cereal crops, food and beverages and fast-moving consumer goods. Other subsectors are characterized by small firms and traders. There are only about 200 medium-sized (i.e. >US\$300, 000 in fixed assets) and large firms. Three-quarters of these are in livestock, dairy, fruits, vegetables, medicinal and aromatic plant products (MAPS), coffee and tea. In recent years, several segments have had negative

growth, including rice mills in the east. (World Bank, 2018)

Nepal is an agriculture-based country and have several constraints focus on the contemporary studies, major constraints to the sector include low agricultural productivity, attributable in large part to low use of fertilizer and certified high-yielding seed, as well as limited irrigation and mechanization. The government subsidizes these inputs however supply doesn't meet demand, distribution is ineffective, and provision is not based on the needs of the soil or crop. Government policy is limiting private sector participation in these markets. Limited agricultural insurance coverage and markets is also an impediment (World Bank, 2018).

IFAD described about the Agricultural Development Strategy (ADS) was approved in 2015 with broad donor support and reflects government strategy for the next 20 years. Its vision is for "A self-reliant, sustainable, competitive, and inclusive agricultural sector that drives economic growth and contributes to improved livelihoods and food and nutrition security." This is to be achieved through substantial growth in the sector, rising from (3%) to (5%) per annum, and agro-based exports and defined in four main outcomes: 1) Improved governance, 2) Higher productivity, 3) Profitable commercialization and 4) Increased competitiveness. Alongside these outcomes, the ADS seeks to promote: (i) inclusiveness (both social and geographic); (ii) sustainability (both natural resources and economic); (iii) development of the private and cooperative sectors, and connectivity to market infrastructure; (iv) information infrastructure and information and communication technology; and (v) power infrastructure. In terms of the enabling environment created by the public sector, the ADS notes that: "In spite of frequent pronouncements in support of the agriculture sector, policies to support the sector have either not been formulated or have not been implemented. Compounding the problem are the frequent changes in tenure of the key leaders for policy, program, and project implementation and issues of consistency of policy itself. The result has been a loss of credibility in policy that is responsible in part for the failure of previous programs." The ADS was approved under the former unitary system. With the support of the European Union (EU) backed Contribution to Agriculture and Rural Development (CARD) project, the federal Ministry of Agriculture and Livestock Development (MoALD) is currently engaging with state Ministries of Land Management, Agriculture and Cooperatives (MoLMAC) to raise understanding of the ADS and begin to clarify a way forward for it under federalism (IFAD, 2019). Discussed about, agriculture is seen as increasingly important for rural economic recovery, not only for food security but as an economic engine that can absorb the returning labour force – especially given the expected slowdown in the service sector. Policy priorities for the agriculture sector at local and national level are expected to evolve accordingly (IFAD, 2019)

Smallholder farmers can be supported to enter and benefit from AVCs through improved targeting and a staged approach that builds the skills and assets necessary to meet the market requirements and improves access to the necessary information to move

into new markets. Contract farming is one option where ADB has shown some success in linking smallholder farmers to AVCs, but performance to date with contract farming has been mixed (ADB, 2012)

(FRI, 2014) mentions, at one end of the agricultural value chain are the producers – the farmers who grow crops and raise animals. At the other end are the consumers who eat, drink, wear and use the final products. And in the middle are many thousands of men and women, and small and large businesses. Each person and each business perform one small step in the chain, and each adds value along the way – by growing, buying, selling, processing, transporting, storing, checking, and packaging. For the part of value chain, (FRI, 2014) discussed on, subsistence farmers are part of value chains. The vast majority of subsistence farmers grow some crops or raise some animals for sale. Even in the most remote areas, many subsistence farmers are connected to markets, and sell small amounts of their produce in local markets or to traders who visit the farm.

Farmers in Nepal are at the mercy of the value chain

In Nepal, smallholder farmers often find themselves at the mercy of the agricultural value chain because they occupy a weak position in a system dominated by intermediaries, traders, and market actors. This dependency means that farmers typically have little bargaining power, receive low farm-gate prices, and face challenges in accessing quality inputs, credit, market information, and reliable infrastructure. These limitations often result in exploitation and low profitability, reinforcing cycles of poverty and food insecurity.

Nepali farmers, particularly smallholders who form the backbone of the country's agricultural economy, are highly dependent on the structure and dynamics of the agricultural value chain. This dependence often places them in a vulnerable position where they have little to no control over input costs, market prices, or consumer demand. Despite being the primary producers, farmers earn disproportionately low returns compared to other actors in the chain, such as traders, wholesalers, and retailers. The phrase “at the mercy of the value chain” encapsulates the imbalance of power, access, and influence that exists within Nepal's agri-food systems.

Several structural issues contribute to this vulnerability. First, most farmers operate on a subsistence basis with limited access to modern technology, irrigation, quality inputs, or extension services. According to the (ADB, 2021), this results in low productivity and poor product quality, which diminishes their bargaining power in the market. Moreover, inadequate post-harvest infrastructure—such as cold storage, grading facilities, and transportation—further forces farmers to sell their products quickly at whatever price is offered, often to middlemen who act as gatekeepers to urban or export markets.

The role of intermediaries is a major factor in the exploitation of farmers within the value chain. Lacking collective marketing mechanisms or cooperatives with strong governance, many farmers are isolated and must sell their produce individually. As

documented by FAO (2015), intermediaries typically dictate prices, especially in the case of perishable crops like vegetables and fruits. This price-setting power leaves farmers with a small share of the final consumer price, sometimes as little as (20–30%), while traders and wholesalers capture the rest (Subedi & Bhattarai, 2020).

Furthermore, market information asymmetry aggravates the problem. Farmers often do not know the prevailing market prices or demand conditions in urban centers or across borders. A study by USAID (2011) noted that this information gap makes it difficult for them to make informed decisions about what to grow, when to harvest, and where to sell. As a result, they become price takers rather than active market participants. The lack of formal contract farming arrangements or secure market linkages further weakens their position in the value chain.

To address these challenges, some initiatives have been introduced. Projects like the Prime Minister Agriculture Modernization Project (PMAMP) and programs by NGOs such as Helvetas Nepal aim to enhance farmers' market access, introduce value addition techniques, and promote aggregation through cooperatives. However, the scale and reach of these programs remain limited compared to the overall need. In the same way, Bhandari (2024) analyses that a robust agricultural industry that can help alleviate poverty can be developed thanks to the varied agroclimatic conditions.

Discussion

The study reveals that Nepal's agricultural economy is deeply rooted in subsistence peasant farming, with the majority of smallholder farmers relying on traditional tools, family labor, and small landholdings. These farmers are often disconnected from dynamic markets and operate in isolation, which limits their ability to improve productivity and income. According to the Food and Agriculture Organization (FAO, 2013), more than (80%) of Nepal's economically active population is engaged in agriculture, yet their contribution to GDP has been declining due to poor commercialization and inefficient value chains. The study highlights that most farmers are trapped in a cycle of low input–low output farming, which keeps them in poverty.

A key finding is that Nepali farmers are structurally disadvantaged in the agricultural value chain. They are frequently price takers with minimal bargaining power due to a lack of direct access to markets. The ADB (2011) notes that smallholder farmers in Nepal often sell their produce to intermediaries who offer low prices and dominate local market systems. These middlemen benefit from price asymmetries and information gaps, while farmers receive only a fraction of the final retail price. The situation is particularly severe for perishable products like vegetables and fruits, where the absence of cold storage and efficient transportation forces distress sales.

Another major concern discussed is the absence of institutional mechanisms to support farmer integration into value chains. The lack of well-functioning cooperatives, insufficient

financial services, and inadequate extension programs mean that most peasants cannot scale up their production or participate in value-added processes. Subedi and Bhattarai (2020) emphasize that farmers typically receive only (20–30%) of the consumer price due to their weak position in the chain. These findings are consistent with the broader literature indicating that in the absence of cooperative marketing and infrastructure, value addition benefits are skewed toward traders and processors.

The study also identifies poor access to timely and relevant market information as a critical bottleneck. Without knowledge of demand trends, price movements, or quality standards, farmers are unable to make informed production decisions. According to USAID (2011), information asymmetry leaves smallholders vulnerable to exploitation and prevents them from entering formal or export-oriented value chains. Even where high-value crops like ginger, tea, or cardamom are grown, the inability to meet international standards due to a lack of training and certification systems hinders competitiveness.

Additionally, the research finds that while government policies like the Agricultural Development Strategy (ADS) have acknowledged the need for value chain integration, their implementation remains weak, especially at the local level. Institutional fragmentation and limited coordination between federal and provincial bodies have slowed progress. As noted by IFAD (2019), value chain interventions in Nepal require a more inclusive and systemic approach that ensures infrastructure development, market linkages, and capacity-building initiatives are aligned and sustained.

Despite these challenges, the study also identifies emerging opportunities. Projects such as the Prime Minister Agriculture Modernization Project (PMAMP) and NGO-led initiatives like those from Helvetas Nepal (2019) have shown some success in promoting collective marketing, building storage facilities, and improving market access. However, their limited geographic coverage and resource constraints have made it difficult to bring about widespread transformation.

The findings suggest that Nepalese farmers remain heavily constrained by structural, institutional, and market-related barriers within the agricultural value chain. Without addressing these core issues—such as infrastructure deficits, market exclusion, poor governance of farmer organizations, and the dominance of informal market actors—the promise of value chain-led rural development will remain out of reach for most of Nepal's peasantry.

Conclusion

The article concludes that while the agricultural value chain holds significant potential for economic development and rural transformation in Nepal, peasants remain marginalized. Without stronger institutional support, better infrastructure, inclusive market access, and cooperative-based interventions, farmers will continue to be at the mercy of the value

chain. The study recommends systemic reforms focusing on equity, capacity building, and efficient integration of farmers into national and global value chains to enhance productivity, profitability, and food security.

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