

Nepal – Spicing Up the Deal!

Background

Ginger farming is one of the main sources of cash income for small farmers of the mid-hills in Nepal. The net income of farmers involved in ginger cultivation is significantly higher than that of competing crops. The value of ginger export has been increasing over the years and doubled in the last decade. Nepal is a significant producer of ginger ranks, within the top 15 world exporters.

Despite opportunities in the sector, there are pressing constraints that contribute to the chronic poverty that persists in the region. Farmers and traders in East Nepal are prone to extremely lower margins due to presence of disease, lack of domestic facilities for industrial extraction and distillation, traditional drying and processing techniques and dominance of a single buyer.

The Phoenix Fund Venture

In May 2008, the Phoenix Fund granted Mercy Corps' Nepal Team \$43,000 to work with 200 smallholder ginger farmers to improve their market competitiveness. The goal was to increase profit margin per unit by 15% through better processing techniques, improved seeds and effective negotiating skills with buyers

In addition, the Mercy Corps team assisted Nepal ginger traders and exporters to improve their market competitiveness by piloting improved processing, grading, and trading practices with farmers and end buyers via forward contracts, hedging and institutional buy-back arrangements

The Results

Profit margin per unit increased 231%, shattering the original goal of 15%. This resulted in the farmers generating \$85,000 worth of benefits and significantly increasing their incomes in a sustainable way. In addition, flexible financing that meets the seasonal needs of the farmers has been made available to farmers in the area. A Mercy Corps Social Innovations effort is underway to develop a financial option that delivers technical training along with the capital loans.

This program made such an impact that USAid mentioned it in their newsletter, although they didn't fund the program. It is expected that these impressive results will leverage additional funding to scale the program and create additional sustainable improvements in Eastern Nepal.