



Nepalese Coffee: High quality, high demand
A history of Helvetas support for a promising economic growth sector

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HELVETAS
Swiss Intercooperation

NEPAL

This publication discusses the long history of Helvetas support to the coffee sector in Nepal, and builds on a “capitalisation” report commissioned by Helvetas that was undertaken by Agricultural and Development Economist Dr. Kiran P. Bhatta. Nevertheless, the principle authors of this document are Bholu Kumar Shrestha, Coffee and Organic Agriculture Advisor, who has worked for Helvetas on coffee promotion since 1996, and Dr. Badri Bastakoti, who, through Helvetas, advises European Union funded Trade and Private Sector Development Project (EU-TPSD) supported by the European Union. Further elaboration was made by Dr. Jane Carter, International Programme Advisor, with the support of Monitoring, Evaluation and Learning Officer, Banu Shrestha. We would like to thank all those named in the text who provided their insights and opinions, as well as Sudha Khadka, who supported the publication in her earlier role of Programme Coordinator for Food Security and Nutrition, Helvetas Nepal. Finally, special thanks go to all the coffee farmers who, whether specifically named or not, have contributed to this publication through the sharing of their experiences.

Helvetas strives for a fairer world in which every person can fulfil his or her basic needs. We support women and men in taking charge of improving their own livelihoods in a sustainable manner and in working together as partners. Rooted in Switzerland, Helvetas is active in over 30 countries around the world. Nepal is one of the very first partner countries in which Helvetas began operations in 1956, under an agreement with the Government of Nepal.

Detailed information about the work of Helvetas in Nepal can be found at <https://nepal.helvetas.org>

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Cover photo: A farmer at her coffee orchard inspecting the health of coffee cherries

ACRONYMS

AEC	Agro Enterprise Center
ARS	Agriculture Research Station
CCU	Coffee Cooperative Union
CoPP	Coffee Promotion Programme
CPP	Coffee Promotion Project
CTDS	Coffee and Tea Development Section
CTEVT	Council for Technical Education and Vocational Training
DADO	District Agricultural Development Office
DCCU	District Coffee Cooperative Union
DCF	District Cooperative Federation
DCPA	District Coffee Producers Association
EU	European Union
FFS	Farmers Field Schools
FSNP	Food Security and Nutrition Programme
GEPA	Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt mbH
GIS	Geographic Information System
GoN	Government of Nepal
HCPCL	Highland Coffee Promotion Company Limited
HELVETAS	HELVETAS Swiss Intercooperation
ICCO	Interchurch Organization for Development Cooperation
ICO	International Coffee Organization
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LISP	Local Initiatives Support Programme
LRP	Local Resource Person
MoCS	Ministry of Commerce and Supplies
MoAD	Ministry of Agricultural Development

MoC	Ministry of Commerce
MoF	Ministry of Finance
MSD	Market Systems Development
NCPA	Nepal Coffee Producers Association
NeCCO	Nepal Coffee Company
NGO	Non-governmental Organisation
NRB	Nepal Rastra Bank
NTCDB	National Tea and Coffee Development Board
PADC	People Awareness Development Center
PCC	Primary Coffee Cooperative
PDP	Palpa Development Programme
SSMP	Sustainable Soil Management Programme
TPSD	Trade and Private Sector Development Project
TWP	Tinau Watershed Project
UMN	United Mission to Nepal
USAID	United States Agency for International Development

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Coffee flowers in full bloom

1. INTRODUCTION

A cup of freshly ground, locally produced coffee is now readily available in Kathmandu and other large towns of Nepal – at least for those prepared to pay for it. However, this is a relatively recent phenomenon. Although the first planting of coffee bushes in the country is traced back to Gulmi in 1939, commercial production is far more recent. Indeed, active promotion of coffee cultivation began with the aim of soil conservation rather than income generation. Coffee bushes were introduced for this purpose to the Tinau watershed area in Palpa by Helvetas back in 1979. Helvetas thus traces its engagement in the coffee sub-sector back over almost 40 years. Since 2003, Helvetas has supported coffee production and marketing through a series of dedicated projects – with its support now reaching some 15,000 coffee-farming households out of a total of some 32,000 in Nepal. These households lie in the mid-hills, largely in the West and Central parts of the country with a more limited number in Eastern pockets. They are generally not the poorest households, but neither are they very wealthy. Typically, coffee-growers own some 0.5 – 0.7 ha of land, and occupy a middle level in rural wealth rankings. For most, coffee serves as a welcome additional, rather than a main, source of income - which can be particularly useful for women farmers. In the context of the feminisation of agriculture due to high labour migration by men, coffee is of interest as a cash crop demanding a relatively low labour input.

Helvetas has worked in close collaboration with both the Government of Nepal (GoN) and the private sector in the development of the coffee sub-sector. Other international NGOs have also been involved, and in recent times coffee promotion has attracted a range of donor support. Thus, for example, Winrock International, the United Mission to Nepal (UMN) and Danish International Development Agency (DANIDA), worked on coffee in the early period of its development in the country, whilst more recently, the international development agencies of the governments of Japan (JICA), the United States of America (USAID) and Korea (KOICA – through the fair-trade company Beautiful Coffee) have all played a role. Recently the European Union (EU) has become involved in supporting policy and trade aspects.

Coffee production in Nepal is also the story of cooperative development, with many growers now being a member of primary coffee cooperatives, which are federated (currently) at district level, as well as nationally. As the sector has grown, many private traders and export companies have also become involved. Nepalese coffee production is now attracting international investment. It has high export potential as a niche product, supplying the market for organic and highland coffee which fetches premium prices. This demand is likely to increase with Nepal's entry, in 2017, into membership of the International Coffee Organisation (ICO). However, current domestic production, at some 500 metric tonnes annually, falls well short of the international demand - reported to be some 6,000-7,000 metric tonnes.

This document focuses on the story of Helvetas support for coffee in Nepal, and the lessons learned along the way. It also provides an overview of the current status of the coffee sub-sector in the country, the challenges faced, and the potential for the future.

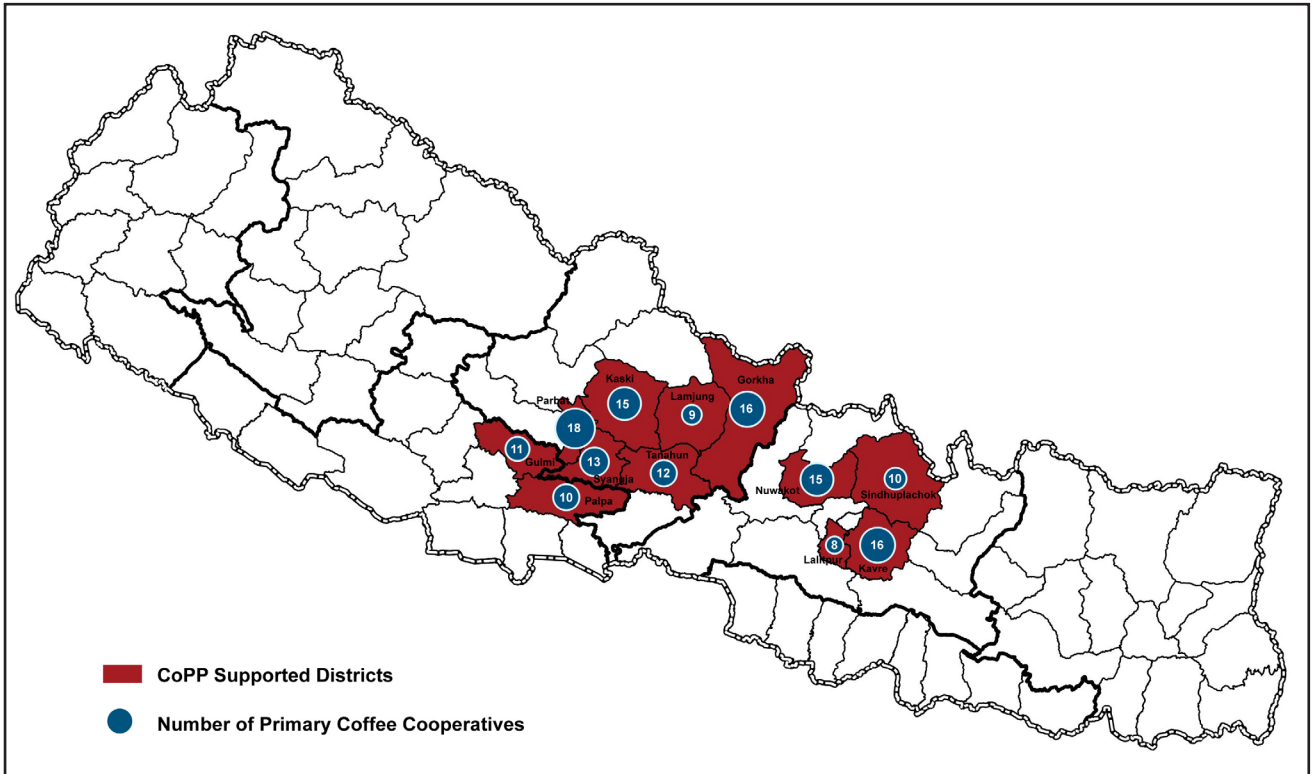


Figure 1: No. of primary cooperatives in each of the CoPP supported districts

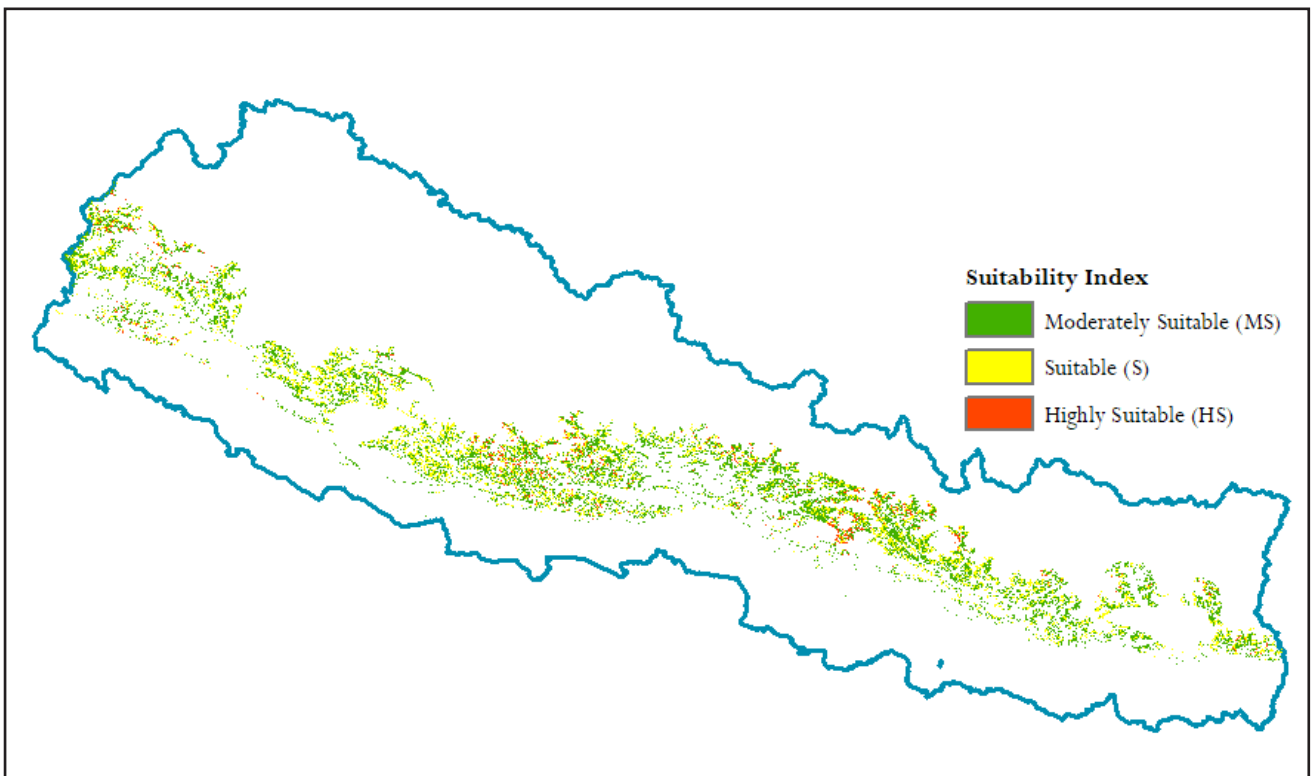


Figure 2: Agro-ecological habitat suitability map of Arabica coffee in Nepal

TIME LINE: KEY EVENTS IN THE DEVELOPMENT OF COFFEE IN NEPAL

Year	Event
1939	First time introduction of coffee in Aapchaur, Gulmi, Nepal by Mr. Hira Giri from Burma (Myanmar)
1968	Government of Nepal introduced some varieties of coffee from India and distributed to the farmers of Gulmi, Palpa and Arghakhanchi
1982	Tinau Watershed Project (TWP) initiated coffee plantation in Palpa as a soil conservation crop
1983	Nepal Coffee Company (NeCCO), first coffee mill in Nepal, established in Manigram, Rupandehi by Mr. Krishna Ghimire
1984	Establishment of Coffee Development Centre (GoN) in Aapchaur, Gulmi
1989	Initiation of organic coffee production in Madanpokhara, Palpa with support from Palpa Development Programme (PDP)
1991	Registration of Nepal Coffee Producers Association (NCPA) in Palpa
1992	National Tea and Coffee Development Board Act, leading to establishment of National Tea and Coffee Development Board (NTCDB) in 1993
1994	First recorded export of dry cherry to Holland by National Trading Corporation
1996	Local Initiatives Support Programme (LISP) extended coffee through Nepal Coffee Producers Association (NCPA) in Palpa
1997	First Organic Certification of coffee under District Cooperative Federation (DCF), Gulmi
1998	Formation and registration of National Level Central Committee of NCPA
1999	Sustainable Soil Management Programme (SSMP) in collaboration with NCPA initiated coffee related activities in Syangja, Parbat, Kavre and Sindhupalchowk
	Introduction of wet processing technology (11 pulpers from India) by Agro-Enterprise Center (AEC) to introduce wet processing in Nepal
2000	Establishment of Highland Coffee Promotion Company Limited (HCPCL) in Kathmandu.
2002	Initiation of coffee Farmer Field School (FFS) in Palpa, Parbat, Syangja, Kavre and Sindhupalchowk (LISP/NCPA)
2003	Coffee Promotion Project (CPP) initiated by Helvetas
2004	National Coffee Policy approved
2006	Central Coffee Cooperative Union established with support from People Awareness Development Center (PADC, DANIDA)
2009	Coffee Strategic Plan developed for NTCDB
2010	Nepal Coffee Logo approved and publicised by the NTCDB
	Establishment of Field Gene Bank of coffee in ARS (Horticulture), Malepatan, Kaski
2014	Establishment of Coffee Research Program in Bhandaridanda, Baletaxar, Gulmi
	EU funded Trade and Private Sector Development (EU-TPSD) project commenced for coffee value chain development
2017	Nepal became a member of the International Coffee Organization (ICO)

(Sources: NTCDB, 2017a; CTDS, 2016; Helvetas, 2017c)

The timeline gives an overview of the development of the coffee sector in Nepal, which is further described very briefly below.

1.1 Early days

It is widely believed that the first coffee bushes were introduced to Nepal in 1939 by a Mr. Hira Giri, who brought some seeds from Sindu Province of what was then Burma, and planted them in his back yard in Aapchaur, Gulmi district. It seems that he did this out of curiosity, and that a few farmers copied him just to see what the bushes might bring. However, this was on a small scale, and there was no government support for coffee cultivation until thirty years later. In 1968, the government imported coffee seeds from India and distributed them to interested farmers in Gulmi, Palpa and Arghakhanchi. Just over a decade later, Helvetas started promoting coffee as a soil conservation crop in the Tinau watershed. It was introduced as a bushy plant for contour planting on sloping land between food crops, and was also sometimes planted along river banks to stabilise them against floods. Other external actors, such as the UMN, also began to introduce coffee to farmers, so production grew. Then in 1983, the Nepal Coffee Company (NeCCO) was established in Manigram, in Rupandehi district. The company bought dried coffee cherry from producers, and processed it mainly for the domestic market. For the first time, coffee farmers from the surrounding districts of Palpa, Gulmi and elsewhere had a clear buyer for their production.

1.2 Commercial production

The government kept in pace with commercial developments by establishing a Coffee Development Centre in Aapchaur, Gulmi, in 1984. This centre supported farmers in activities such as training in cultivation techniques, subsidised seeds and seedling production. By the beginning of the 1990s, international market opportunities were becoming apparent – particularly for high quality organic coffee. Through the Palpa Development Programme (PDP), Helvetas initiated organic production methods to farmers in the Madanpokhara area, and facilitated the formation of a coffee producers group. This was registered as the Nepal Coffee Producers Association (NCPA) in 1991. Two years later, the government restructured the Tea Development Corporation into the National Tea and Coffee Development Board (NTCDB), in further recognition of the commercial potential of coffee.

Helvetas support during this time focused on production, rather than marketing. Nevertheless, the District Cooperative Federation (DCF) in Gulmi initiated the certification of organic coffee in 1997 – a decision that bore fruit 11 years later, in 2008, with the first certification of coffee beans from the area as organic. Helvetas support for coffee production increasingly placed emphasis on coffee marketing as well as production, and especially on organic production.

1.3 Responding to growing demand for organic coffee

The early 2000s saw an increasing institutionalisation of coffee production and marketing. Already in 1998, a National Level Central Committee of NCPA had been established and registered. This was followed in 2000 by the founding, in Kathmandu, of a company specialising in the sale of quality coffee to the international market, the Highland Coffee Promotion Company Limited (HCPCL). In 2003, Helvetas initiated a project specifically focused on coffee production and marketing: the Coffee Promotion Project (CPP). The following year, the NCPA made the decision to focus primarily on the organic production system. Although the CPP began by working through farmer groups, a project review recommended that marketing would be more effectively organised through cooperatives. Over 2007 to 2009, support was provided for the development of a Coffee Strategic Plan for the NTCDB, and the consolidation of smallholder groups into cooperatives, including the strengthening of their capacity. A National Coffee Policy, approved by the

government in 2004, provided a conducive framework for further development of the coffee sector. More recent milestones include the designing and approval of a national coffee logo in 2010, and the entry of Nepal into the ICO on 16 March 2017.



“If you visit any corner of a coffee orchard, farmers first mention the support provided by Helvetas. Helvetas has become synonymous with the coffee sector. Similar is the case at the national level. When I ask myself how such a significant impact was possible, several answers come to my mind. First, I realise, is the long support from the organisation to capacitate farmers in production and processing technologies, organisational management, market linkage, and linking them with local and national government. The most positive part is that the organisation always learned from failures and promoted innovations. Due to this, many innovative approaches, like collective business, organic and fair-trade approaches, etc., have been adopted in different programme phases.” Pramod Bhari, Enterprise Development Officer, Helvetas.

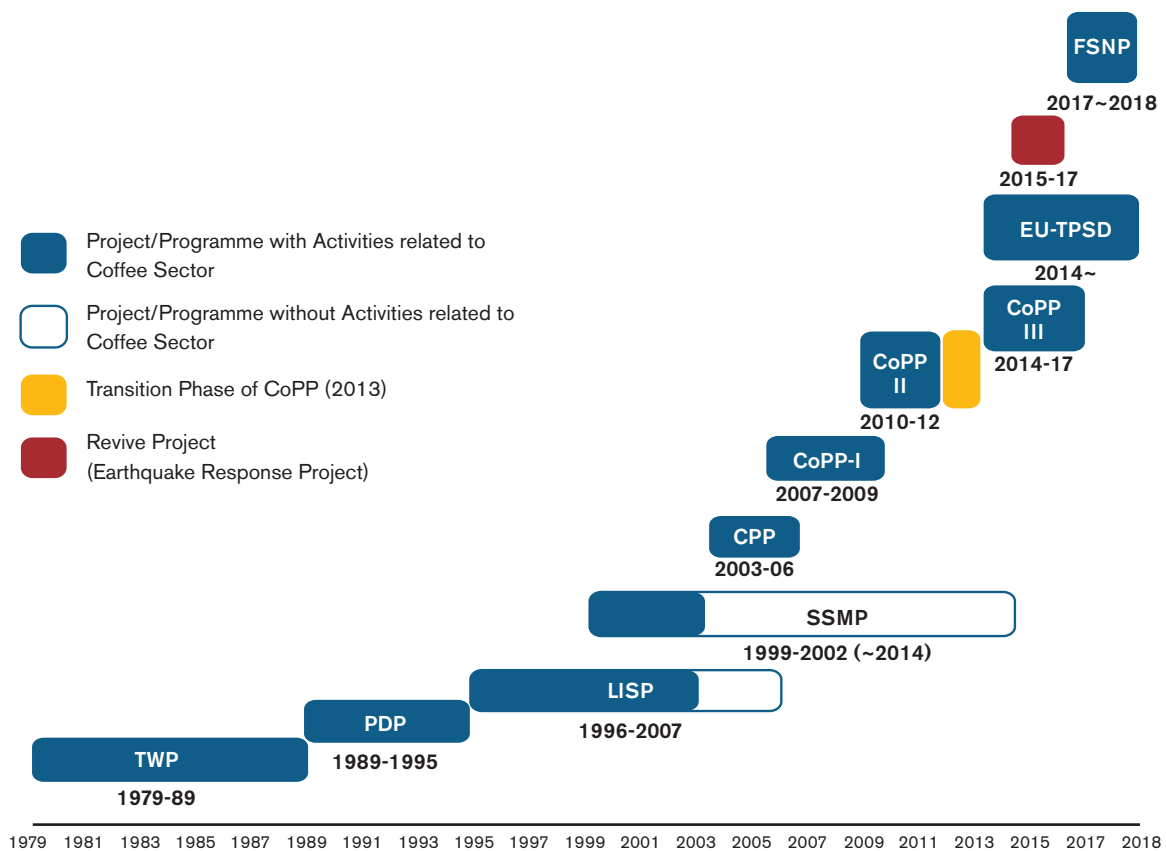


Farmer's Field School participants conducting research on improved cultivation practice

2. HOLISTIC SUPPORT

If Helvetas was to start support for the coffee sub-sector today, a systemic approach would be adopted – that is, a full market analysis would be conducted, and appropriate points for intervention identified, based on a systemic perspective. However, the organisation's support for coffee pre-dates this approach, and has instead been iterative – inevitably beginning with production, since the crop was new, but then also engaging in processing and marketing, contributing to policy development, and supporting the development and strengthening of appropriate institutional structures. For ease of reference, the progression of the differently named projects is given in Figure 3.

Figure 3: Progression of Helvetas support for the coffee sector in Nepal



2.1 Production

The species of coffee grown in Nepal, *Coffea arabica*, originates from the highlands of Ethiopia – even though it reached Nepal via what is now Myanmar. As a highly valuable commercial crop, it has been subject to considerable genetic investigation, with different varieties being developed to suit different soil and climatic circumstances, pest tolerance – and different consumer preferences. The early coffee bushes cultivated in Nepal were simply derived from exchanges of seed between farmers, but by the 1990s systematic efforts were being made to introduce and determine varieties, and specific cultivars, best suited to local conditions.

Helvetas supported the introduction of different coffee cultivars such as Pacas, Pacamara, Tekisic, and Ketisic, in collaboration with the Farmer to Farmer Program of Winrock International in Nepal. Unfortunately, neither Pacamara nor Pacas have performed well; some of the best yielding varieties remain what are called “local” but which were originally introduced from Burma - exact sources being unknown. As already noted, organic production methods were also introduced and promoted.

Box 1: Learning from experience

Coffee cultivation has been promoted in an altitudinal range from 600 – 1,500m. However, caution is needed at lower elevations. Although coffee grown in areas of 600 – 800m elevation has thrived in early years after establishment, experience has shown that stem borer and other pests are quick to infest the bushes. For example, the village of Majhigaon or Mahadevetar in Sindhupalchowk, which had a thriving coffee production in the late 2000s, has now largely ceased production. Climate change is likely to exacerbate problems with low elevation coffee (see last section).

Unfortunately, many of the cultivars with the best taste qualities are also susceptible to pests and diseases – two of the most troublesome being *Xylotrechus quadripes* (white stem borer) and coffee leaf rust caused by *Hemileia vastratix*. The former can be controlled by ensuring appropriate growing conditions, notably moisture, shade and fertility management as well as reacting quickly to any infestation. Control measures entail rubbing the main stem, pruning and burning infested areas, or cutting back the main stem – known as rejuvenation. Nevertheless, farmers with heavy infestations are advised to destroy their bushes completely and replant. Coffee leaf rust is potentially devastating. It can be partially controlled by the application of Bordeaux mixture (which is copper-based, and permitted in organic production), but this is generally only effective if the disease is spotted early, before it takes hold. Helvetas has supported the search for disease resistant coffee varieties like Catimor, DERE 132 that thrive in Nepalese conditions. This work continues today, with Local Resource Persons (LRPs) being actively engaged in planting and observing the performance of new varieties as they become available.

2.2 Developing farmer capacities

Over the years, Helvetas has built the capacity of many farmers in coffee production. Early training for farmers on organic techniques was conducted in collaboration with the Farmer to Farmer Program of Winrock International - bringing international experts from El Salvador and USA. An important approach used in the early 2000s by the project Local Initiatives Support Programme (LISP) was the development of LRPs, who could advise other coffee farmers. Later, under the Coffee Promotion Programme (CoPP), training was conducted through Farmer's Field Schools (FFS). Under this, peer-to-peer learning between farmers was encouraged through regular visits to demonstration plots owned by participating farmers.

Box 2: Farmer's Field Schools (FFS) on coffee

FFS are a very effective, low cost medium for participatory research and demonstration of improved cultivation practices. They allow farmers to see the differential outcomes of field experiments and draw their own conclusions for further adoption. FFS were established in Kavre, Parbat, Syangia, and Sindhupalchowk. In total, some 1,546 farmers took part, of whom 52% were women, 53% were categorised as economically poor (having land sufficient to feed the family for less than half the year), 52% came from areas classified as remote, just over 29% were Janajati, and under 5% were Dalit. Farmer selection was done with the aim of promoting gender equality and social inclusion, although the individuals concerned were also expected to have a clear interest in coffee production, and some available land for coffee cultivation. As literacy was considered by farmers themselves to be important to benefit fully from the training, most participants (91%) were literate.



Box 3: Portrait of a Trainee: Madan BK

Madan BK was one of the first batch of six farmers from Lalitpur selected through the Coffee Promotion Project to go to Pokhara in 2003 for training under the Local Resource Persons Development Plan. He was the only Dalit; all his fellow farmers were Brahmin. In those days, this was not an altogether easy situation. “At the beginning I was hesitant to go, as I feared discrimination, of being treated differently. However, at the training we were treated completely equally. This gave me confidence, and I passed the CTEVT level 2.”

Madan still works as an LRP, and remains enthusiastic about coffee, despite the increasing disease problems that he sees. “The worst problem with coffee has been rust – this is a real problem in Lalitpur. But coffee is a real boon to small farmers with pockets of land that cannot be planted with maize or millet.” Madan himself only owns 2 ropani of land (slightly less than 0.1 ha), including that on which his house and animal shed is built. The number of coffee bushes that he can cultivate is therefore very limited, and his livelihood was severely affected by the earthquake, which destroyed his house. Now that he has rebuilt it, he is making further plans - including leasing a plot on a 20-year agreement, and planting coffee.

2.3 Processing

As is well known, the taste and quality of coffee is heavily influenced by the way in which it is processed. This applies not only to the final roasting of the beans, but also to the way in which they are harvested and processed.

Box 4: Wet or dry processing?

Dry processing of coffee, entails the harvested cherries being first cleaned, sorted and then placed whole in the sun to dry. Once fully dry, they are hulled in a mill, the outer layers being removed step by step. This natural method of processing is still used in many parts of the world, especially where there are water shortages or low volumes of production. Although there is some specialist demand for such coffee, wet processing is practiced for most global high value coffee production.

Under wet processing, the harvested coffee cherries are immersed in water using the density sorting method; immature or damaged cherries float, whilst the good ones sink. After this sorting, the skin of the good cherries is mechanically removed in a pulping unit, although this still leaves some mucilage clinging to the bean. This is detached by fermentation for 24 – 36 hours. The resulting coffee beans are still coated by a middle layer known as parchment. They are dried in the sun on drying racks to a moisture content of 10 - 12%, at which point the parchment layer becomes crumbly and is easily removed when hulled. Most coffee is shipped after the parchment has been removed, in the form of green beans. However, in Nepal, some is roasted locally, to supply local demand.

The introduction of wet processing technology to Nepal was a crucial step in developing quality commercial production (see box 4). Eleven pulping machines were first brought from India by the Agro-Enterprise Centre (AEC) in 1999, but it was from 2003 onwards that, under the CPP wet processing was systematically promoted. The project produced a manual on wet processing in the same year, and held training courses for farmers in different coffee-growing areas. The CPP also sponsored three traders to travel to Indonesia to observe wet processing technologies in practice, and subsequently worked with a local manufacturing company, Balaju Yantrasala, to copy the Indonesian form of wooden pulper. However, the idea of supporting locally manufactured units did not take hold, as the wooden prototypes performed poorly. Metal units run on electricity proved far more efficient and effective, and are readily imported from India or China. As agricultural equipment, they are subject to hardly any import duty – meaning that the manufacture of similar devices in Nepal is not commercially interesting. Over 90% of all pulper operators in Nepal now use the wet processing method.

2.4 Marketing

As indicated above, Helvetas' active support for coffee marketing began in 2003, with the commencement of the CPP. The project initially worked with groups of coffee farmers, advising and supporting them on quality processing, and linking them to national traders. This was not an easy time to be working on any form of marketing in Nepal, as the civil conflict was nearing its height, and communication, as well as transportation of goods, was often difficult. Furthermore, any organised economic activity ran the risk, at the time, of being criticised by Maoist cadres as a capitalist intervention. It therefore had to be carefully explained for what it was - an income generating activity for small-holder farmers.



Interaction between a trader and visitors at a Coffee Fair

Helvetas' whole approach to supporting coffee marketing took a radical turn in 2008. By this time the Peace Accord had been signed and the country was in a hopeful mood, with parliamentary elections taking place for the first time in many years. A Maoist government came to power with a manifesto, amongst other matters, to support economic growth in an overtly pro-poor manner. An internal review of the CPP recommended that rather than continue to work with different farmer's groups, the project should support the establishment of coffee cooperatives. These, it was argued, would be better placed to support their members in negotiating with traders – particularly international traders. Cooperatives were considered to be the best way forward for obtaining organic and Fair-Trade certification. They also fitted the political mood of the time.

“During the review it became clear that traceability and quality management requirements of organic value chains call for direct links, clear contractual arrangements with processors, and integration of functions into the central entity. As the District Coffee Producer Associations (DCPA) cannot engage in trade, but farmers are increasingly getting organised and want to strengthen their position in the sub-sector, cooperative structures are likely to play a more important role in the development of organic coffee value chains in Nepal.” (Eyhorn, Dietz, Shrestha, Khatiwada and Sharma, 2009).

Prior to the establishment of cooperatives, a market facilitation committee was established within the framework of DCPA. This served to link producers and traders to negotiate prices and quality management. For many farmers, the establishment of a local cooperative was the key to taking an interest in the crop, through assurance of a market for their crop.



"We now have the cooperative in our community, hence the produce can be sold right at our doorsteps. Last year we sold our coffee at NRs. 75 for a kilo of fresh cherries, while this year our coffee fetched NRs. 90 a kilo. We are hopeful that the price will be better still next year! I'm encouraging others to get into coffee production, as I see good scope in it." Laxmi Kumari Tamang, Cooperative member, Upallo Tigaun (April 2018)



"Coffee cooperative formation was the means to end the exclusive control of few domestic traders in the coffee business and marketing and to provide the producers with diverse market options. As a result, this increased the bargaining power of the producers and brought about a revolutionary change in the attitude and approach towards them." Ranjana Mishra, former Helvetas staff member and consultant.

Through the CPP, Helvetas supported the establishment of primary coffee cooperatives in nine districts – Gulmi, Kaski, Kavre, Lalitpur, Nuwakot, Palpa, Parbat, Sindhupalchowk and Syangja. An early success in marketing coffee internationally was through a partnership with the HCPCL, and a federated farmer association, the Producers NCPA (see later section on institutional strengthening). One container bearing 15 metric tonnes of coffee was purchased and shipped by Holland Coffee, establishing an important market link that remains to this day, and opening other international opportunities.

"Due to the comparatively high production costs, Nepal coffee producers will only be able to compete in the international market if they manage to produce high quality specialty coffee, including the certificates demanded by the clients." (Eyhorn, Dietz, Shrestha, Khatiwada and Sharma, 2009).

Direct involvement in marketing ceased in the second phase of the CoPP, with a facilitative approach being adopted instead – following the logic of M4P (Making Markets Work for the Poor) or Market Systems Development (MSD). This required a careful analysis of the whole coffee value chain, identifying the weak points within the system and intervening to facilitate their better functioning – always with the aim of improving the income of small coffee growers.

Over the period 2012 to 2015, Beautiful Coffee worked through Helvetas - the two organisations sharing the costs of programme implementation in Gulmi and Sindhupalchowk. Following this, Beautiful Coffee branched out alone, after registering as an NGO in Nepal.



Women and men loading a truck with coffee for export

Box 5: International market linkages facilitated through CoPP and CPP

USA: Holland Coffee inc, through HCPCL

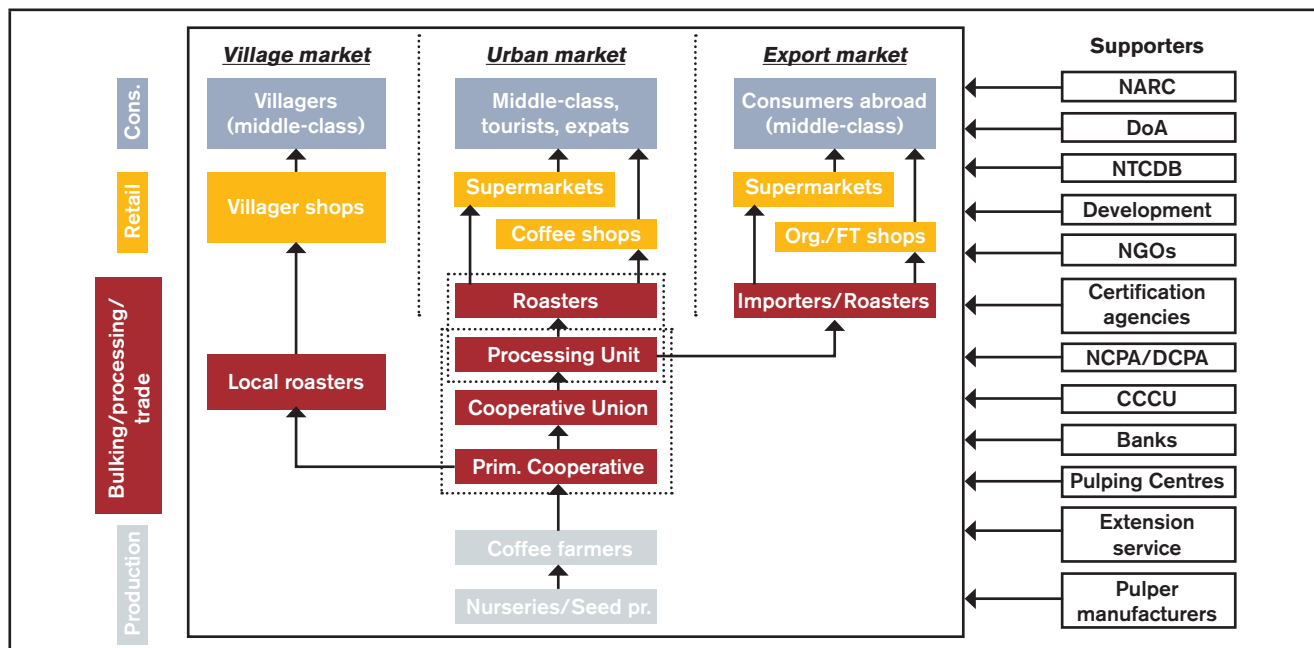
Korea: Beautiful Coffee, purchasing coffee from Gulmi and Sindhupalchowk and also supporting promotion activities through Good Neighbours International

Germany: GEPA, purchasing coffee from Lalitpur and supporting activities to promote social inclusion and women’s engagement in economic activities, supported by Bread for the World

Australia: Micro-lot buyer

Japan: Shanti Shanti, buying coffee and other agricultural products from Syangja

Figure 4: Development of organic coffee value chains through cooperatives



Source: Eyhorn et al, 2009 (projecting future developments).

The CoPP supported 12 District Coffee Cooperative Unions (DCCUs) and 156 Primary Coffee Cooperatives (PCCs) to implement internal control systems to the standard required for organic certification. The project then facilitated the link between these cooperatives and the relevant certification agencies; as can be seen in Box 6, these operate in different geographical areas. Similarly, linkages were facilitated between the cooperatives and institutions providing credit. This was necessary as there is generally a time lag of some five months between cherry collection, processing and sale of the beans – but naturally the coffee farmers wished to be paid for their cherries immediately. Early on, it was the National Cooperative Bank that agreed to lend to the coffee cooperatives.

Box 6: Organic certification agencies

The current organic certification agencies active in coffee in Nepal are as follows:

- National Association for Sustainable Agriculture Australia (NASAA) – in Lalitpur for the European market
- Control Union, the Netherlands – Gulmi and Sindhupalchowk for the Korean market
- Agricultural Certification Thailand (ACT) – in Palpa for the European and American market
- Organic Certification Nepal (OCN) in Kavre Palanchowk for the domestic market; working in association with ACT, they also certify coffee from Palpa
- OneCert - in Palpa, Syangja and Lamjung for the European and American market

Box 7: Facilitating linkages in practice: an example

HELVETAS has worked with the German fairtrade company GEPA (<http://www.gepa.de/en/welcome.html>) in facilitating premium, organic and fair trade prices for coffee cooperative members. Twice during their inspections (conducted every two years – thus over a period of four years) GEPA staff noted concern about gender equality; very few women were active in leadership positions in the cooperatives. In some cooperatives, women’s membership was also very low. They recommended concerted action, including leadership training for women cooperative members, pointing out that this was necessary to comply with Fair Trade principles – one of which concerns gender and social inclusion. As there was no budget for such training, GEPA approached potential donors, and found interest on the part of Brot für Alle (Bread for the World). Helvetas staff then worked with members of the Lalitpur Coffee Cooperative to write a proposal to Brot für Alle. This was successful, and two training sessions, amounting to four days in total, were duly conducted.



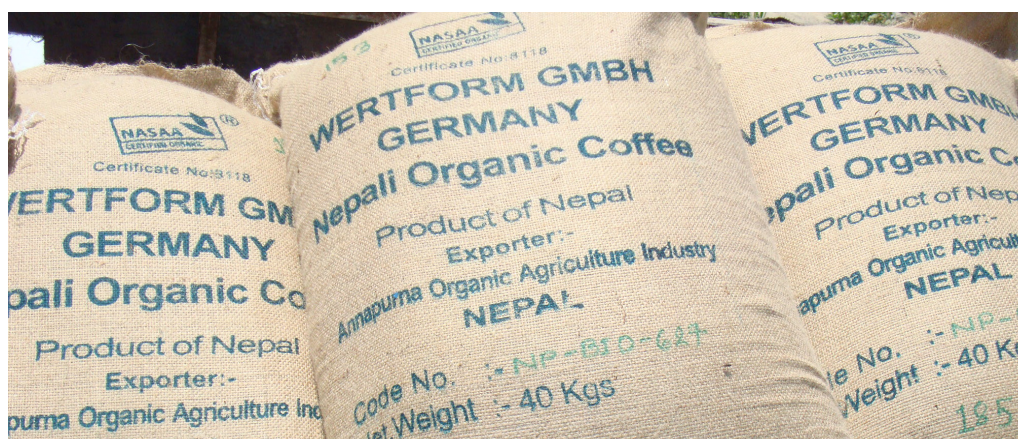
Ranju Adhikari of Silinge Cooperative, who participated in the training, explained that it comprised in part information on legal rights, and in part motivation to take a more active role in community affairs. *“We learned about the importance of registering to vote, and of voting for women representatives. All the men here say that women have no place as leaders – but actually in the recent [local] elections three women won, and they will show others!”* (January 2018)

2.5 Institutional strengthening

The above sections indicate the importance of cooperatives in supporting small coffee growers to develop quality production and processing techniques, and gain access to international markets at a fair price. The institutional establishment, development and strengthening of these cooperatives was an important activity, and one in which Helvetas was particularly engaged. Initially in the 1990s, small coffee producers in Palpa were supported to form an association, the NCPA – which in 1998 extended its membership to other districts. The NCPA went on to be recognised at national level, with the formation of 14 district level chapters or DCPAs, and a head office in Kathmandu.



“[Initially] farmers were treated unfairly on the price of dry cherry. There was also no market system and no consumers for coffee. So we 25 farmers of Madanpokhara came together decided to form a group in 1991 which in 1992 was registered as Nepal Coffee Producers’ Association (NCPA). In 1998 it grew into a national organisation.” Dhakeswar Ghimire, founder chair of the Nepal Coffee Producers’ Association (NCPA) (April 2018)



Quality Nepali coffee ready for the export market

With the decision to support the establishment of cooperatives from 2008 onwards, Helvetas facilitated the establishment of groups of smallholder coffee farmers as Primary Coffee Cooperatives (PCC). There are now some 156 such PCCs, each having a minimum membership of 25 growers. They are linked with twelve District Coffee Cooperative Unions (DCCUs), each of which are required to have ten primary cooperatives as members, and one Central Coffee Cooperative Union. The total membership is now around 9,000 coffee growers.

Box 8: Portrait of a Coffee Cooperative Union Lalitpur (CCUL)

The CCU Lalitpur states its mission as, *“To create a sustainable, prosperous and reliable model for an independent commercial coffee union and improve the standard of living of all coffee producers.”* It was established in 2008 as a federation of eight primary coffee cooperatives lying in the two rural municipalities of Bagmati and Mahankal. Together, they have a membership of some 375 farmers.

All coffee cherries harvested by PCC members are processed at their primary cooperative pulping centres, and then brought as dry parchment coffee to the CCUL’s central processing unit. Here they are hulled, graded and manually sorted to ensure quality standards. A portion of beans are roasted for local sale (under the brands Jureli and Lalitpur Organic Coffee), but the majority is exported under a partnership with GEPA, Germany. In this way it is sold for a premium as high quality organic highland coffee, under a Fairtrade system.

A regular change in leadership is one of the noteworthy features of the DCCU Lalitpur. This succession of able leaders is considered a mark of its sustained institutional development.

2.6 Policy contribution

“I recall that at the time we did our review in 2009, Helvetas played an important role in policy development, bringing together key players to elaborate ways to support organic coffee production and marketing.”
Frank Eyhorn, Senior Adviser Sustainable Agriculture, Helvetas Switzerland (March 2018)

The development of the coffee sector in Nepal did not occur in a policy vacuum. Far from it; the relevant government agencies took an interest in the commercial potential of coffee from very early on, and were open to policy discussions. In this, Helvetas was actively engaged, advocating for appropriate policies responsive to sub-sector needs.



“Helvetas Nepal has done remarkable work in all areas of coffee over a long time. In recent times, it has worked in strengthening coffee cooperatives, and as a result there are more than 100 cooperatives operating in the sector. In the aftermath of the earthquake, Helvetas carried out noteworthy relief work in many districts. It has also collaborated with NTCDB in many coffee promotional activities and strategies. Continued support from organisations like Helvetas Nepal’s Coffee Promotion Programme would help the government agencies to develop the coffee sub-sector as a whole.”
Sheshkant Gautam, Executive Director, NTCDB (April 2018)

The various policy documents relevant to coffee are listed in Box 9; Helvetas staff have contributed their knowledge and experience in some way to almost all of them. Helvetas continues to be actively involved in trade policy discussions, providing technical assistance under the Trade and Private Sector Development Project (EU-TPSDP), funded by the European Union.

Box 9: Policy development on the coffee sector in Nepal

- Periodic National Plans since 1980s
- National Coffee Policy (2004): This recognises coffee as a crop with high export potential (especially highland coffee, for organic markets) that can also be cultivated by small, resource-poor farmers
- Agribusiness Promotion Policy (2008): This specifically includes coffee as a crop with high export potential
- Coffee Sub-sector Strategic Plan
- Coffee Value Chain Development and Upgrading Strategy
- Nepal Coffee Logo Implementation Guidelines
- Agricultural Development Strategy (2015) - a 20 year planning document for the entire agricultural sector – identifies coffee as an important export crop with potential for further development, emphasising the need to improve quality in production and processing to international standards, and supporting certification for the niche international organic market
- Trade Policy 2016
- Nepal Trade Integration Strategy 2016 identifies coffee as one of the export potential commodities
- Nepal Sector Export Strategy: Coffee (2017-2021) (prepared by MoC with ITC Geneva)
- Strategic Plan (2018-2022) for NTCDB
- National Standard for organic green coffee (Arabica) - requirements for the production of green coffee bean from farming to packaging (Draft – posted for general enquiry, by Nepal Bureau of Standards and Meteorology)



Coffee enthusiasts at a procession celebrating the National Coffee Day in Gulmi



Wet processing/pulping of coffee cherries

3. THE COFFEE SECTOR IN NEPAL TODAY

3.1 Response to the 2015 earthquake

The devastating earthquake of April 2015 and its subsequent aftershocks left many coffee cooperatives with badly damaged or ruined infrastructure. In response, the Coffee Promotion Programme undertook targeted support in the earthquake affected areas, namely Lalitpur, Nuwakot, Gorkha, and Kavre. This reconstruction effort, titled “Revive Coffee”, aimed at returning coffee processing plants to full function - especially the pulping centres operated by cooperative groups. More than 40 pulping centres and three central collection and processing centres for the DCCU were repaired or reconstructed. According to agriculture and development economist Dr. Kiran Bhatta, this support was vital for the survival of the coffee industry in Nepal. Funding for Revive Coffee continued until March 2017.

“The Revive Coffee project of CoPP provided coffee cooperatives with the necessary technical and financial resources to immediately act on rehabilitating their processing plants (pulping centres), in order to continue processing coffee for the supply to national and international market. This in turn helped maintain confidence of international buyers. The assurance of a sustained supply chain and quality of the products even in such a devastating situation was enough to ensure the rapport of Nepalese niche coffee products.” Dr. Kiran P. Bhatta, consultant agricultural and development economist (April 2018)

Box 10: Restoring earthquake-damaged coffee processing infrastructure in Lalitpur

The main buildings of all eight of the primary coffee cooperatives in the area (former district) of Lalitpur were judged to be too badly damaged to continue safe operation. Under Revive Coffee, each cooperative was offered support to rebuild a new centre, comprising an office, store-room, and covered pulping and drying area. The cooperative members were required to provide the land, labour, and local materials; all externally sourced materials were funded through the project. Seven out of the eight cooperatives responded positively to this offer. No pulping centre was funded in the eighth, due to internal conflicts over the positioning of the building. The positioning of the new building was a matter that clearly required consensus for long-term functioning, taking into account physical aspects such as water supply and accessibility, labour availability (as the building also had to be close to the cooperative nursery), and harmonious relations between members. Here the power dynamics were important, as having the building located on or close to one's land offers potential power and prestige.

The new cooperative buildings followed a standard, earthquake resilient design that also considered sustainability aspects. Thus electricity – needed to power the pulping unit as well as for light inside the office and store room - is supplied. Rainwater is channelled from the corrugated iron roof and collected into a pond that feeds to the cooperative nursery. After pulping, the discarded cherry pulp is composted – the compost also being used for the nursery.

3.2 Farmer engagement in coffee cultivation

Current figures (Bhatta, 2017) indicate that some 32,000 farming households are engaged in coffee production in Nepal. Of them, some 15,000 have received support at some stage through Helvetas, with 9,000 being cooperative members. For the majority, coffee represents an additional rather than a main source of income, with an average income of some NRs 9,500 (approx. USD 95). Nevertheless, this can be crucial for farming livelihoods, given that coffee represents an opportunity to make an income from sloping land where there is virtually no other option. There are also a few farmers with substantial areas of land under coffee bushes who are making up to NRs 150,000 (some USD 1500 per year), and whose lives have been changed significantly as a result. Bhag Bahadur Sinjali (Box 11) is one example.

Box 11: Gaining respect through coffee: Bhag Bahadur Sinjali



Bhag Bahadur Sinjali began growing coffee in 2003, and now has bushes covering an area of seven ropanis (approx. 0.35 ha) in Baldyangadi, Palpa. The income that he makes from coffee varies, but is in the range of NRs. 50,000 to 150,000 (USD 435 – 1,360) per year. Through this income, he was able to send his eldest son abroad for work, and to fund his younger son to start his own poultry farming business. Following her father's footsteps, one of Bhag Bahadur's daughters has established a coffee plantation on two ropanis (0.1 ha) of land.

Bhag Bahadur notes that his success in coffee production has not only helped his children; it has earned him a good reputation within the local community. He is now trusted and respected. Some ten years ago, he would have found it difficult to raise a loan of NRs 1,000 (USD 9), but now people do not hesitate to lend him NRs 200,000 to 300,000 (USD 1,800- 2,700).

Box 12: Portrait of a primary coffee cooperative leader: Ram Prasad Dangal



Ram Prasad Dangal, aged 38, is the head of the Organic Coffee Cooperative in Syaury Ashrang, Bagmati rural municipality ward 4. The new cooperative building is located just above his house, the land for it having been donated by another cooperative member and former Head Teacher of the school, Tulas Ram Ghimire. The nursery is located on Ram's own land. The cooperative is quite typical of those in Lalitpur in that most of the members are Brahmin men. Only five of the 34 members are women, and only four are Tamang (see separate section on social inclusion).

Ram started planting coffee 15 years ago, at a time when he was Ward Chairperson. *"I took 200 plants to begin with. At that time, we had no special tools, and digging the ground to plant them was difficult. It was just the time that Helvetas was beginning to work in the area, though, and 13 years ago I was invited to do a seven-day training in Pokhara. It taught me much about organic coffee production and processing, and since then I've planted many more bushes. I now have just under 1,000 – let's say 950."*

Ram was in fact one of six individuals first selected from Lalitpur to do the training in Pokhara. His oldest coffee bushes were planted in a shaded gully unsuitable for other cultivation, but he has expanded cultivation onto terraced plots. All are shaded with shade trees planted for that purpose – chiefly the fast-growing exotic *Lucaena leucocephala* (Ipil Ipil). Ram does almost all the work of coffee cultivation himself.

"I pick almost all the cherry myself; labour is difficult to find these days. And why should I bother my wife and mother? They have the livestock to tend to, and that is needed for manure." Ram's bushes are mulched with grasses and other weeds, and regularly fertilised with animal dung. He applies Bordeaux mixture to keep rust under control, and removes and burns any diseased branches. As a result, the bushes serve as an excellent demonstration to others. He also runs the cooperative nursery, in which a number of different species of arabica coffee are being grown.

For some farming households, coffee cultivation has become inter-generational, with knowledge passed from (mainly) grandfather to son or daughter, and grandson or granddaughter (see Box 13).

Box 13: Bista Organic Coffee Farm



The Bista Organic Coffee Farm was established in 1981 at Bartung, Tansen in Palpa by Rewanta Bahadur Bista. He was supported in this by Helvetas, and looks back on the decision to take up coffee as a turning point in his life. Now 81 years old, he remains energetic and is continuing to plant coffee. The bushes now cover an area of 1.5 ha, and annual production stands at some 5 metric tonnes of dry parchment. The farm has also established its own brand, Bista Coffee. Rewanta's whole family: his wife, five sons and two daughters, as well as six grandsons and five granddaughters, have benefitted from coffee production. The sons now work on the farm, whilst the grandchildren are studying, thanks to the income from coffee. The family continues to purchase land every couple of years, using the income gained from coffee. Rewanta is also the chairperson of District Coffee Producers Association, Palpa.

Various mechanisms to promote social inclusiveness within the cooperative structures have been made through the CPP and CoPP – as well as under the auspices of other donor-led projects. Although these have heightened member awareness of the desirability of social inclusion, particularly for coffee production under organic system and trade on Fair Trade principles, specific activities have not always been highly successful. It is now common for cooperatives to offer membership to Dalits and other socially excluded groups on preferential terms – such as reducing the number of bushes required to become a member. Subsidised distribution of coffee seedlings, and bee hives to facilitate pollination, has however not resulted in a major increase in Dalit engagement in coffee. Similarly, the cultivation of coffee bushes on community forest land, proposed as a means to allow Dalits and other resource-poor families access to land, has been resisted by forest department officials, on the grounds that it would represent a change in land use.

3.3 Multiple actors

The coffee sector in Nepal today is populated by many different actors. They may be grouped into four main categories: public institutions, private companies and investors, international donors and NGOs, and producer's organisations and cooperatives. Given its recognised history of working in coffee, Helvetas is in regular dialogue with actors belonging to all these categories, and continues to provide technical inputs. Nevertheless, the coffee sector is changing as it grows, and it is the private companies and investors that today exert major influence.



“Three companies – Prasadha, Alpine and Lekali came here to undertake coffee production on 300 ropanis [approx. 15 ha]. The locals took interest, and thus the cooperative was started. Their involvement in the cooperative led them to put their barren land to coffee plantation. We have explained to them that by selling coffee in the international market we can earn foreign currencies. Also, the benefit from international market is many more times than from local market. Now there are 16 such cooperatives with 744 members (small farmers). The cooperatives collect the harvest and supply to the international market.” Kedar Dhungana, Prasadha Coffee Estate, President, Fung Fung Jharana Primary Coffee Cooperative, Nuwakot (April 2018)



Tending to coffee seedlings at a coffee nursery

4. CHALLENGES AND WAYS FORWARD

4.1 Still a future for small farmers, and for cooperatives?

Some of those active in the promotion of the Nepalese coffee sector consider the overriding priority to be a growth, and an expansion in export revenue. There is concern that other countries such as Laos and Rwanda, which are also producing organic, highland coffee, will out-compete Nepalese coffee. India and China are also producing high quality coffee.

“We have to expand the volume of production. For example, I had a good business with Japan over a period of seven years, but I could not supply them with the volume that they wanted. So finally, I had to break the connection.” Phul Kumar Lama, Mustang Coffee (May 2018)

One of the development organisations more recently active in coffee promotion, ICCO, also argues in favour of expanding the volume of production as efficiently as possible. For ICCO, this implies a focus on dynamic farmers who can produce large volumes of coffee beans.

“We are working in the area where there is a business case. We build on what is existing, but we look at how to contribute to the growth of the sector overall by trying to address specific gaps in the whole value chain... Wherever there is a trusted primary cooperative, there is no option but to work with them as part of the value chain. But where there is no cooperative, then we support the farmers in organising themselves into a group and extending our services. Generally, there are only a few farmers producing a sizable volume of beans, and cooperatives are limited to collection but not providing services to farmers, thus we adopt a mix approach to address coffee farmers’ needs.” Phul Kumar Lama, Mustang Coffee (May 2018)

Accordingly, ICCO is promoting pulping centres run by private individuals who invest in up to date equipment, and pay farmers up-front for the cherries that they supply. There is concern amongst cooperatives that this model provides direct competition with their pulping centres; where the catchment of the pulping centres overlaps, this is inevitably the case.

As this document has shown, the original rationale underpinning Helvetas’ long work in coffee was to support small-holder farmers in gaining an alternative source of income, and thus a viable rural livelihood. Cooperatives have become integrally linked with this logic, although ICCO suggests that it is now time to explore other ways of working.

“Huge credit to Helvetas for really supporting farmers and the infrastructure of the cooperatives. Unfortunately, these infrastructures are not properly utilised or they do not have a business model to operate them... Coffee farmers say that at one stage it made sense to be part of a cooperative to access the market, although even selling through cooperatives has not assured timely payment for beans. But some of the same farmers observe that decision-making [within the cooperatives] has become heavy. Leadership seldom changes and a limited number of persons hold the whole cooperative. In my view, the cooperatives definitely made sense at the point of time that they were formed, in the absence of local government and the need for civil society institutions to be pro-active and organised after the conflict period. But this needs to be revisited now.” Bidyanath Bhurtel, ICCO (February 2018)

Nevertheless, coffee cooperatives are now well-established institutions, and membership brings wider benefits than processing alone. Just over a quarter of all coffee growers in Nepal belong to a cooperative. Some are undoubtedly run in a more transparent, accountable, socially inclusive and effective manner than others – but they have all developed substantial experience, and are important players in the coffee sector. Some also have a clear perspective on the future, recognising the need to upgrade and be as responsive as possible to their membership.



“The Coffee Promotion Programme of Helvetas Nepal has been supporting the coffee farmers of Lalitpur since 2003. While coffee in Lalitpur was introduced by the United Mission to Nepal, it was Helvetas that guided us in uniting the small holder farmers into groups and cooperatives while developing skills in coffee production, processing and marketing. Helvetas also supported with organic certification and international market linkages. The cooperative system has been effective in supporting farmers to get higher prices and instant payment. Lalitpur farmers are receiving the highest benefit in Nepal from sale of coffee as they are adding value at PCC and DCCU level and exporting organic certified coffee to the international market (Germany) under the fair-trade concept.” Sashibadan Ghimire, Chairperson, DCCU, Lalitpur (April 2018)

“Definitely, there is profit from coffee farming. Compared to other crops that need periodic care - for sowing, manuring, harvesting - the gain is ten times more. In case of coffee farming, the initial wait for fruition is three years, after which the plants continue to bear fruits for a minimum of sixty to seventy years... Eight years back, Nuwakot was not known anywhere for coffee production. But now... I feel the district compares well to other places. Besides this cooperative, my company, Prasadhha, has 12,000 coffee plants. I am also working with two other friends and together [also under Prasadhha] we have 30,000 plants. Ten years, down the road, I expect Nuwakot to lead the country in coffee production.” Kedar Dhungana, Prasadhha Coffee Estate, President, Fung Fung Jharana Primary Coffee Cooperative (April 2018)

Box 14: Portrait of a district coffee cooperative union, chair: Mandu Thapa



Mandu Thapa is not typical of coffee cooperative chairpersons, in that she is a woman. She has attained her current position through long experience and professional competence. Mandu began her engagement in coffee as an NGO facilitator. Having become interested in coffee cultivation, she was encouraged by Helvetas staff to sit for the CTEVT Level 2 Coffee Technician test. She not only passed; she gained the NTCDB Best Coffee Technician Award in 2011. This opened new opportunities, as she had the chance to travel to South Korea to promote Nepali coffee, as well as attending a month-long training in coffee processing and marketing in Japan. Since then, she has worked in different capacities in coffee promotional activities in Sindhupalchowk, and was elected Chair of the DCCU, Sindhupalchowk, in 2016. She currently earns some NRs. 380,000 (approx. USD 3,460) annually from coffee (including the sale of seedlings). Mandu sees constant innovation as necessary in the coffee sector.

“Technology keeps changing and improving, and we must keep up with this, introducing new technology to maintain quality. We want to give better prices to our farmers, and for this we must have quality.” (May 2018)



“Coffee cooperatives are functioning well but in order to ensure their sustainability, the entrepreneurial skill and competitiveness of cooperative members should be enhanced.” Prabin Poudel, Component Manager – Agriculture Market and Enterprise Development, Helvetas



Innovation in harvesting – using coffee harvest bags to collect coffee cherries

4.2 Quality or quantity?

“We assumed in the past that Nepalese did not drink coffee, and therefore we focused on organic coffee for the export market. But now Nepalese are drinking coffee; there are over 6,000 cafes in the country!”
Sheshkant Gautam, Executive Director, NTCDB (May 2018)

There are several arguments at play in the quality versus quantity debate. One is whether to give more focus to the growing domestic demand for good quality coffee, or to focus on the export market. Another is whether to focus on achieving the highest quality, or simply good quality coffee. It is generally assumed that certified organic production is less important for the domestic market than the international one, although this may change. This is not to argue that local consumers will be content with poor quality coffee; fresh coffee remains a relative luxury product, and quality is expected to be high. Nevertheless, for the niche end of the organic, highland coffee export market, quality standards are extremely high, and are rising, as indicated by the comments of Nima Sherpa from Lekali Coffee Estate established in 2008.



“Standards and demand for quality are increasing all the time. Most Nepali coffee hovers around a [taste] score of 82 to 83, but these days we need to go to 85 or more. New techniques are coming, and we need to adopt them. The most critical area of quality is in the pulping; complexity and depth have to be brought out through careful processing, building new flavours. But varieties are also crucial, and farmers need to know what varieties they have. With good varieties, you can get a better harvest through good pruning and mulching than through simply expanding the area.” Nima Sherpa, Grader, Lekali Coffee estate, Nuwakot (May 2018)

Given that both domestic and export demand for Nepalese coffee currently outstrips supply, there seems likely to be room in the market for different quality grades. For small farmers, there may be opportunities in both, depending in part on the processing technology to which they have access.

“There is a specific demand for Nepali coffee in niche markets due to its uniqueness in taste and specialty nature. It has obtained a high score in SCAA (Specialty Coffee Association of America) tests many times, but there is always one comment from the buyer side, about consistency. To maintain the reputation of Nepali coffee, every effort should be made to produce specialty coffee of consistently high quality.” Pramod Bhari, Enterprise Development Officer, Helvetas

4.3 The impact of federalisation

Nepal is now a federal State, made up of seven provinces or states, and 753 municipalities; the former system of 75 districts is now redundant, although in the period of transition to the new structure, district-level organisations will not disappear overnight. Government extension services for coffee producers have, to date, been organised through a district system of District Agricultural Development Offices (DADOs). These no longer have the mandate to provide extension services; this responsibility has instead been devolved to the newly created municipalities. Coffee producers wishing to benefit from extension services must, therefore, be organised in demanding such services from the municipalities. It seems that they are already positioning themselves in this regard; a significant number of former and current cooperative office bearers are now elected representatives in local government.



“Federalisation can be a positive thing for coffee growers, now that municipalities have responsibility for agriculture extension. In many cases the primary coffee cooperative chairs have been elected as ward chairs, so now they can use their knowledge and influence to lobby for better services for coffee farmers.” Bishnu Timilsina, Manager DCCU Lalitpur (May 2018)



“I was among the first batch of Local Resource Persons (LRPs) in coffee, supported through the Helvetas project LISP. I am certified by CTEVT as Level 2 Coffee Technician...I feel that coffee is one crop that can create employment opportunities for our youth and stop their outmigration. Coffee has contributed greatly to my personal development; I am known locally as a coffee expert, and hold the position of Chair of the District Coffee Cooperative Union (DCCU). I was also elected recently as Ward Chair (ward 8, Tansen municipality). These are the results of the support in capacity development that I received from Helvetas.” Ram Prasad Ghimire, Chair, District Coffee Cooperative Union, Palpa (April 2018)

“Now that we have GIS mapping, we have to take this to the [relevant] municipalities and show them that they can grow coffee. We have to lobby at the political level, from the bottom up.” Sheshkant Gautam, Executive Director, NTCDB (May 2018)

4.4 Potential for expanding production

It is widely held that there is much potential to expand coffee production in Nepal. The entire country has been mapped for its suitability for coffee cultivation; this shows large areas of favourable agro-ecological zones and soil types that as yet have few plantations. This potential must, however, be weighed against patterns of labour availability. Labour migration to Gulf countries and Malaysia has become so widespread in many rural areas that some agricultural land is left fallow, and those left behind – generally women – struggle to complete all farm and household tasks. For those who seek an alternative to migration, a more positive interpretation of this trend is that coffee can provide new employment opportunities, through leasing land that others have left behind. Increasingly, there is interest in the long-term leasing of land for coffee over at least 20 years. Although this is supported at policy level, it is not yet actively promoted by the government.

Some of the areas already under commercial coffee production include plantations that, aged 30 years or more, are reaching the end of their productive life. These bushes need to be rejuvenated (strategically pruned) and/or replaced – a labour intensive exercise that may be beyond the capacities of the aging farmers who originally planted them. If this is not done, there is a risk of a build-up of disease in the locality that will make continued organic production particularly challenging.

“Now in Kaski the rainfall is not as it was in the past. Climate change is evident, and we need suitable, quality varieties to plant in response. We also need to move to new areas where there are fewer pests and the climate is more suitable.” Kulchandra Adhikari, coffee farmer and technician, Kaski (May 2018)

“The significant role played by Helvetas in the development of the coffee sub-sector in Nepal through the introduction of the quality concept, internal control system for organic certification of grower groups, technology dissemination and fair trade, cannot be ignored.



Based on my experience of working in the coffee sub-sector since 2002, I can say that coffee has been able to get recognition as a cash crop for the resource poor small farmers in the mid-hills and also exportable crop for earning foreign currency. The quality of Nepali coffee is good if the orchard is well managed and processing is done in an appropriate way. However, I have experienced deterioration in quality of coffee (reduced size, shriveled grains) due to the severe problem of white stem borer and incidence of coffee leaf rust. The major problem is the lack of research to develop improved technologies suitable under Nepalese farming conditions. With a strong research base and quality control measures, Nepal could be a country producing high quality specialty coffee.” Prachanda Man Shrestha, Farming Systems Specialist, presently Chairperson of Beautiful , Coffee Nepal (BeaCoN), June 2018.

Another potentially important issue is the effect of climate change on existing coffee plantations, already being remarked by farmers. The broad tendency is for cropping to expand to higher altitudes as lowland temperatures rise, but this generalisation masks many local specificities. Whilst agro-ecological conditions may be broadly favourable for coffee cultivation in many yet unplanted areas, exploration at municipality level of the true potential will be crucial.



Intercropping of coffee with other cash crops

5. CONCLUSION

Coffee cultivation in Nepal has come a long way since early promotion efforts in the 1980s. From a few interested farmers, there are now LRPs, processors, bankers and other investors, government and NGO staff, cooperative staff, certification agencies, consultants, traders, coffee baristas and coffee-shop owners all making a living from the crop. The value chain has become a complicated web of interactions. As this document has shown, Helvetas has played an integral role in this development, always focusing on support to small farmers. Ensuring that coffee production works for them will continue to be a challenge in the future, as more and more players “crowd in”. From this perspective, the cooperatives represent a clear institutional mechanism for such farmers to have a voice. There is little question today over whether coffee has a future in Nepal: that seems assured. The question is only what path that future will take.

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