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

Dikshya Singh
SOUTH ASIA WATCH ON TRADE, ECONOMICS AND ENVIRONMENT (SAWTEE)
BACKGROUND

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

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

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

- Giddha: 22 km from Janakpur; market across border: Mahinathpur and Duhabi; no customs
# FORMAL TRADING OF AGRICULTURE INPUTS BETWEEN NEPAL AND INDIA

Nepal’s import from India in US$’000

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeds</td>
<td>36,026</td>
<td>46,513</td>
<td>47,339</td>
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<tr>
<td>Fertilizer</td>
<td>15,286</td>
<td>10,743</td>
<td>11,083</td>
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<tr>
<td>Machinery</td>
<td>35,516</td>
<td>42,281</td>
<td>25,600</td>
</tr>
</tbody>
</table>

Nepal’s export to India in US$’000

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeds</td>
<td>53</td>
<td>98</td>
<td>62</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Machinery</td>
<td>1,633</td>
<td>187</td>
<td>1,472</td>
</tr>
</tbody>
</table>


INFORMAL TRADE OF SEEDS

Potato and vegetable seeds

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

Sona Mansuli paddy seed

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

- In two sites, on an average annual consumption range between 300 kilo to 550 kilo per acre, depending on the types of crops
- Farmers in Nepal highly dependent on India for fertilizer as domestic supply is sporadic and unreliable
- A kilo of DAP cost between NPR 46-48 in Nepal and in India NPR 36-38
- Nepal’s state supplied fertilizer considered to be superior in quality
Government Procurement (Agriculture Inputs Company Ltd and/or Salt Trading Company)

Regional Warehouses

Agriculture Cooperatives/Groups

Fertilizer Trader in border town

Farmers in Giddha

Farmers in Kaptangunj

Selling price NPR 38 per kilo

Selling price NPR 36 per kilo

Selling price NPR 43 per kilo + transport cost (govt) + local transport cost = NPR 46

Selling price NPR 43 per kilo + transport cost (govt) + local transport cost = NPR 48
INFORMAL TRADE OF MACHINERIES

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

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

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

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

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