

LESSONS LEARNED



Sector: Vegetable

Intervention: Supply chain management through sub-trader model

Districts: Dadeldhura, Doti, Baitadi



Adapting to Market Evolution: A Dynamic Approach

Owing to the agro-ecological advantage of the hills and mid-hills of Nepal, over flat lands of the Terai during the monsoon, vegetable producers and traders in the hills can demand a high price for off-season vegetables. But, despite the comparative advantage and high demand for vegetables, the vegetable markets found in the far-western region have been confined to a handful of highly-developed production areas/pockets and are mostly located near urban centres.¹

Due to the lack of feasible or suitable business model for this area in Nepal, wholesalers and traders in the region have little incentive to invest in smallholder farmers as the majority of them are unable to meet the demand of the traders/wholesalers. The Samarth team's studies highlighted that the major

¹ Samarth's Vegetable Sector Strategy. 2014.

issues both farmers and traders were facing collectively was a failure to successfully aggregate vegetables as well as access the market itself.

Samarth introduces a sub-trader model in the far west

In 2014, Samarth-NMDP partnered with Dadeldhura Farmers' Cooperative Society (DAFACOS) in Dadeldhura and two traders (Mahara Fruits Center, Baitadi and Prasamsa Fruits and Vegetables Center, Doti) to implement a sub-trader model. As per the model, the partner identifies a sub-trader in an area to work as an interface between traders and the farmers. The sub-trader provided necessary market information about price and market demand, established collection points in the identified pocket, provided technical support and market assurance to the farmers, and encouraged the farmers to produce and sell high value vegetables. In return, the sub-trader was offered a monthly salary for the first few seasons, then subsequently moving on to a commission-based payment plan based on the volume of vegetables sold to the trader.

The model is successfully adopted in Dadeldhura

The sub-trader model was successfully implemented by all three partners and was effective in benefitting close to 544 smallholder farmers. Specifically, DAFACOS has adopted the model and is working to expand the model in 8 new production areas in Dadeldhura with minimal support from Samarth-NMDP. Moreover, the partner's sub-trader has established a private and permanent collection centre in Mastamandu VDC. In addition to the good management of this initiative, DAFACOS has also gained access to finance which has enabled it to purchase a truck to collect vegetables from new and scattered vegetable production pockets in the district without any support from Samarth-NMDP. Beyond overcoming the constraint of logistics, DAFACOS has the capacity to provide technical services and support to farmers (through their agro-vet and technical staff) and is therefore able to provide greater incentive to farmers for producing vegetables. DAFACOS is now better positioned to establish strong market linkages with other traders/wholesalers in the region since the Cooperative is located closer to the regional market in Kailali. Looking forward, the local demand trends for vegetables in Dadeldhura appears high, which will likely serve as an motivation for DAFACOS to further invest in expanding the model in new production areas.

Lessons learned in Doti and Baitadi

Unlike DAFACOS, partners in Baitadi and Doti have been unable to effectively implement and sustain the sub-trader model. Mahara Fruits Center in Baitadi continues to implement the model but has failed to adopt the model, while Prasamsa Fruits and Vegetables Center in Doti has been unsuccessful in its attempts to continue without the support of Samarth-NMDP. The positive adoption of the sub-trader model by DAFACOS and the inability to do so by our partners in Baitadi and Doti is largely due to the management, technical knowledge and greater human and financial capacity of DAFACOS.

The difference in the overall market scenario in the three districts has also had a role to play in determining the success of the sub-trader model. The vegetable market in Dadeldhura is far more mature in comparison to those in Baitadi and Doti, which enabled DAFACOS to successfully implement and expand the model. However, the saturated vegetable production pockets of the partner in Baitadi, coupled with Mahara Fruits Center's limited capacity to implement the sub-trader model in distant production pockets meant that the partner could not expand the sub-trader model, despite having the incentive to do so Prasamsa Fruits and Vegetables Center, assigned to the vegetable market in Doti, struck

complications when it was trying to expand without the assistance of Samarth-NMPD also. This was mainly due to the young vegetable market in Doti, but also a result of the limited capacity of the partner, the lack of investment capacity and limited market linkages available.

Way forward

Considering the lessons learned from the pilot of sub-trader model in the three districts with three different partners, Samarth team has discovered that the effectiveness and the sustainability of the sub-trader model is determined by numerous factors including the partner's internal capacity as well as the regional and local market scenario. Therefore, when implementing the sub-trader model in the future, it is important to consider the capability of the market player since market incentive alone is not enough to ensure the success of the initiative, in terms of both scale and sustainability. In addition to market incentives, the market player should have adequate management, technical comprehension, and the human and financial capacities to adopt as well as adapt the model.