Promoting Quality in the Value Chain: The Case of Tea from Nepal

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Background

Introduction

In recent years, Nepali tea has grown to become a competitive agricultural export product. 43% of the total tea produced in Nepal is exported. However, export to the EU amounts to only 1%.

Research Motivation

The Nepali tea industry has underdeveloped capacity in the value chain, be it due to non-compliance to quality or lack of value addition. Also, perception of consumers towards Nepali tea in importing countries is not well characterized.

Objectives and Research Questions

To comprehend how quality related aspects of Nepali tea can promote its export performance to the German market, the following three research questions have been raised: how do the value chains (technical & actor) for Nepali export tea look like? Is the quality infrastructure (QI) in Nepal sufficiently developed? And, how can the consumers' tea consumption habits be characterized based on the framework of perceived product quality?

Methodology

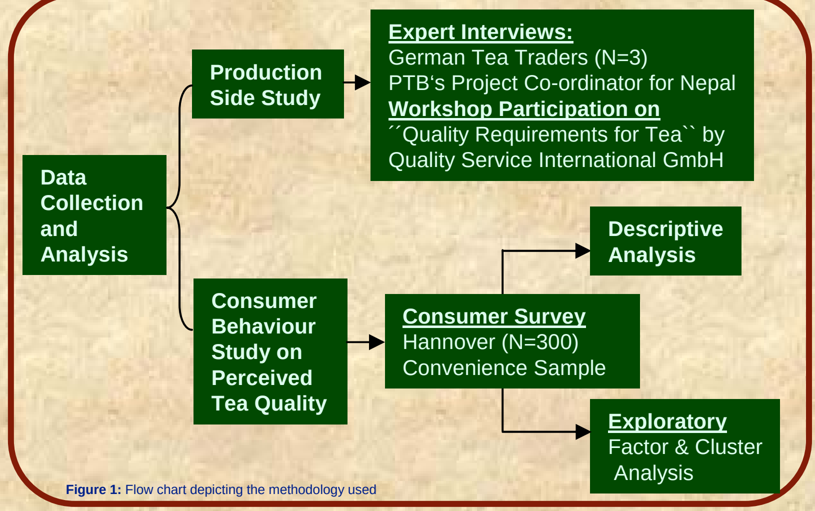

Figure 1: Flow chart depicting the methodology used

Results on the Production Side of Nepali Tea Value Chain

- The main actors of Nepali tea export value chain are agro traders (plantation raw materials suppliers); tea estates and smallholder farmers (producers/processors of tea leaves); packers/exporters selling tea to foreign tea blenders/packers, who further sell to foreign wholesalers/retailers and finally to end consumers.
- Mainly Orthodox Tea (hand processed tea with focus on top quality leaves and buds) is exported to the EU. The quality requirements which have to be met for exporting tea to Germany refer to Maximum Residue Levels (MRL) for different prescribed chemicals. This requirement has been found to often act as a barrier for Nepali tea exporters, and the underdeveloped QI system of Nepal can be mainly accounted for this.
- A Code of Conduct (CoC) for producing and processing tea was developed in Nepal, referring to product, social and environmental standards, but the CoC is not internationally accredited.

The pictorial presentation of technical value adding stages of high quality orthodox tea is in figure 2.

Figure 2: Technical value adding stages of tea

Results on the Consumption Side of Nepali Tea Value Chain

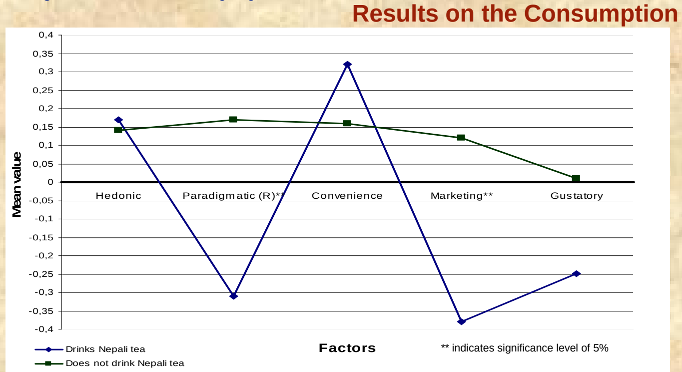

Figure 3: Consumer preference for different tea attributes based on they drink Nepali tea or not

People drinking and not drinking Nepali tea are significantly different for factor 2 (Paradigmatic, R), and factor 4 (Marketing) (Figure 3). People who drink Nepali tea show greater importance to different tea varieties (mean value = -0.3, reverse coded). It can be due to their desire to try out different tea varieties that leads them to drink Nepali tea. While, those who do not drink Nepali tea are not concerned to Marketing aspect of tea like brand, information etc.

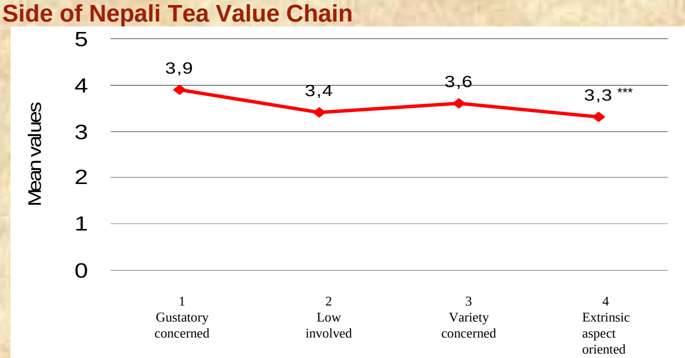

Figure 4: Importance of tea drinking to different consumer categories

Scale ranges from "Extremely important" (5) to "Not at all important" (1)
*** indicates significance at 1% level

Members in cluster 1 "Gustatory-oriented" show the highest importance to tea drinking with mean value of 3.9. Also, the segment "Variety concerned" depicts high importance for tea consumption (mean value=3.6). Overall, members in all the clusters describe large importance to tea drinking (mean value > 3 for every cluster)

Conclusion

Nepali tea industry needs to better furnish its QI system to make its tea in par to the EU's tea MRL regulation and thereby upgrade in the value chain with suitable value addition infrastructure to meet the taste and variety demand of the consumers in the importing country.

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