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How do institutional characteristics and farm location affect tea farm gate prices in Ilam, Nepal?

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Abstract

Demand for organically produced quality tea is rising in all parts of the world. The Government of Nepal is aware of this trend and aims to increase the volumes and the quality of the domestically produced tea. The goal is to make the Nepalese tea sector a strong brand focusing on high-level export markets. Integration of organic certification schemes plays an essential role in this transition. Nevertheless, smallholder tea farmers struggle to raise their profitability as major tea producers in Nepal despite these governmental efforts. We used this ongoing debate as a basis for our research. Within this context, we have aimed to identify the influence of institutional variables on the farm gate prices of tea. In addition, we have revealed differences in tea farm gate prices based on the specific location of the tea farm. Emphasis was drawn on the differences between organically certified farmers and those who were not certified. Data was collected in the Ilam district in Nepal among 91 smallholder tea farmers via a semi-structured survey. We have analysed the data through basic descriptive statistics and a multifactorial regression model. Our findings show that organic certification, credit access, cooperative membership, and training participation had a statistically significant positive effect on the farm gate prices of the tea leaves in the study area. The results further indicate that farm location affects the farm gate price. Therefore, farmers should be encouraged to join local tea cooperatives and acquire organic certifications for their farm operations to increase farm gate prices. This would enable them further to support the ambitious strategic plan on tea exports commissioned by the Government of Nepal.

Keywords: Cooperative, farm gate prices, Nepal, organic accreditation, smallholders, tea value chain