

VALUE CHAIN ANALYSIS OF ORTHODOX TEA IN EASTERN HIMALAYAN CORRIDOR OF NEPAL

ABSTRACT

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Tea sub-sector is an export potential agribusiness in Nepal. The organic orthodox tea is produced in Nepal for targeting international market. Poor quality standard and eco-labeling are the major hinderings to enter Nepalese orthodox tea in the global market. Some tea producers are involved in third party organic certification through tea processing industries' financial and technical supports for organic certification in group. This study was conducted to examine the value chain of orthodox tea focussing on certification aspect, to identify the factors influencing organic certification of orthodox tea and to assess the impact of third party organic certification of orthodox tea on tea growers' livelihoods in Eastern Himalayan Corridor of Nepal. A total of 441 sample households were purposively selected (213 certified and 228 non-certified tea growers) and obtained data from cross-sectional household survey including two focus group discussions and key informant interview in Ilam district in 2014. Probit model was used to measure the adoption factors of organic certification, which was determined by independent variables gender of household head, age of the respondent, economically active age (15-59), education of household head, credit access, annual household income from tea-sub-sector, tea cultivated land category, yield of orthodox tea, percentage share tea cultivated land in total land and trainings. Income regression model was used for determining the impact of certified orthodox tea on annual husehold income. Income from tea sector was used as a dependent variable which was determined by independent variables such as certification, total land category, tea cultivated land category, livestock holding (livestock standard unit), log yield, interaction between certification as dummy and total land category and access to credit from village level cooperative. Out of 24 orthodox tea processing factories, three (Gorkha Tea Estate, Kanchanchanjunga Tea Estate and Himalayan Shangrila) were supporting tea growers by trainings, visits and supplying inputs for green tea leaf production. They provided technical and financial support for organic certification in groups. They provided technical and financial support for organic certification in groups. Only these three processing factories collected green tea leaves from certified growers with premium price, processed and exported in the international markets. While, other tea processing factories processed non-certified orthodox tea and exported in international markets by themselves. The marketing margin was higher in certified tea leaf (NRs. 24.21/ kg) as compared to non- certified tea leaf (NRs. 14.21/kg) in the study area. The producer's share of certified and non-certified orthodox tea growers was 28.86% and 20.89%, respectively. The Gini coefficient of certified and non-certified orthodox tea growers was 0.50 and 0.39 which showed the disparity of household income in certified tea growers than non-certified tea growers. It was clear that the factors, such as economic active household members, income from tea sector, and access to credit from village level cooperative and training positively and significantly influenced the adoption of organic certification. However, tea yield and share of tea cultivated land in total cultivated land had

negative and non-significant influence on the adoption of orthodox tea organic certification. The study revealed that certified tea growers had lower income than non-certified ones due to focusing of organic certification on small scale producers with low premium price. The results indicated that higher land holding (more than 0.5 ha) of tea cultivated land, livestock holding and yield of orthodox tea had positive significant effect on annual household income of tea growers. The certification seemed a catalyst to export in international market with quality standard but, farmers could not receive appropriate price. Findings showed that the certification of orthodox tea had low impact on tea producers' livelihoods mainly due to (1) low productivity, (2) minimum price premium, and (3) unavailability of organic fertilizers and bio-pesticides in study area and further studies are needed on these aspects for improving farmers' livelihood and high quality production of orthodox tea to compete in the international market.