

COFFEE MARKETING
(SPECIAL REFERENCE TO LUMBINI ZONE NEPAL)

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**COFFEE MARKETING (SPECIAL REFERENCE TO LUMBINI ZONE NEPAL)**” submitted to Lumbini Banizya Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of the **Masters Degree in Business Studies (M.B.S.)** under the supervision of Mr. Krishna Gauttam, lecture of Lumbini Banizya Campus.

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ABBREVIATION USED

NECCO	Nepal Coffee Company Private Limited
NOCP	Nepal Organic Coffee Products
DCF/G	District Cooperatives Federation, Gulmi
AOAU	Annapurna Organic Agricultural Udhyog
COPP	Coffee Promotion Project
WTO	World Trade Organization
IFOAM	International Federation of Organic Agriculture Movement
NTCDB	National Tea and Coffee development Board
NCPA	National Coffee Producers' Association
DCPA	District Coffee Producers' Associations
COPP	Coffee Promotion Project
DADOs	District Agriculture Department offices
4PS	Place, Price, Product and Promotion
SWOT	Strength, Weakness, Opportunity, Threats
AD	After Death
BC	Before Christ
BS	Bikram Sambat
M T	Metric tones
ha.	Area in hector
km.	kilo meter
masl	Meters above sea level
GDP	Gross Domestic Products
GNP	Gross national products
ADB	Agricultural Development Bank
HMG/N	His Majesty Government of Nepal
VDC	Village development committee

CHAPTER-I

INTRODUCTION

1.1 Background

Nepal is the country of Himalayas with many benefit of the natural endowment, situated southern part of Asia, Comprising different landscapes with total area of 1,47,181 sq. km. It is located in between latitude $26^{\circ} 22^{\circ}$ N to $30^{\circ} 27^{\circ}$ N and longitude $80^{\circ} 4^{\circ}$ E to $88^{\circ} 12^{\circ}$ E. Elevation ranges from 90 to 8848 meters being 885 km east to west and average breath is 193 km north to south. Ecologically the country is divided into three regions running east west they are the Mountain, Hilly and Terai region. The hilly region especially western hilly region is most suitable for "Arabica" and "Robusta" coffee cultivation in Nepal.

The Nepalese Economy being mixed economy, agriculture is the backbone of the Nepalese Economy more than 80% people depend on agricultural profession. It contributes 60% of GDP in the national economy, similarly 70% international trade depends on it like wise raw materials for industries are provided from agro-based sectors, and therefore agriculture is the mother of whole industries. So it means of development of rural Economy as well as overall development of the country to increase national income So it means of development of rural Economy as well as overall development of the country to increase national income. Real GNP per capita is usually used to measure the income of the people. GNP of Nepal is very low in comparison to other counties. According to world development report the per capita income of Nepal is U.S.\$ 320.(CBS, 2008)

Nepal is a least develop and landlocked country Majority of people live in rural areas with 31% of the total population is living under the poverty line with subsistence farming. They holds insufficient land to cultivate which does not produce enough food for a year to maintain their livelihood. Most of the poor in rural area are bound to sell their labor in the minimum level of cost.

The main problems of hilly areas are: high population growth, unemployment, and migration to the Terai or the foreign countries in search of employment, rapid soil erosion, acute poverty, food shortage, absence of transportation, low literacy and meager agricultural productivity. But there are great possibilities for non-seasonable vegetables, citrus fruits, coffee, herbs, livestock farms and forest-based industry in this region. Thus, to develop this region particularly in the north south road corridor, emphasis should be given on fruits, vegetables, milk and other high value crop like coffee production. Especially literacy will be emphasized in education, construction of co-roads linking the hills with the Terai, Community forest for forest development required to implement. Majority of hills farmers are involved in food grains productions only a few percentage of farmers engaged in cash crop production. Coffee is one of the major potential cash crops in Nepal. It is one of the high value cash generating commodities for hilly region farmers.

Among the total area of the nations agricultural holdings is 33,64,139 ha (2001/2002) and total land irrigated up to 11,68,144 ha (2006/2007) (area is '000' ha) coffee is a subtropical plant it is also grown in shady as well as unproductive fallow lands it is predominately planted to upland areas as additional crops without disturbing the primary crops. Due to lack of capital and technology Nepal is under utilizing some of the natural resources and some are misutilized. Water is one of the under utilized resources in Nepal. Water resource of Nepal can be used to produced 83 thousands mega watt of electricity and irrigate nearly 1.8 million hectors of land. However at present Nepal is using only 0.3% and 0.8% of it's capacity to produce hydro-electricity and to irrigate land respectively.(CBS, 2008)

First time in Aapchaur VDC of Gulmi district harmit, Hira, Giri who was fond of the caffeinated beverage and to grow coffee for his own use brought some seeds of coffee beans from Burma (Myanmar) before 2002 BS. After all commercial production was started from 2033 BS. Now on more than 40 districts covers 1450 ha of land with total production of 265 MT. parchment(NTCDB 2066). This provides good employment to generate income for small farmers of midhill. Therefore, the production consumption trend of Nepalese coffee is increasing day by day.

1.2 Objective of the Study

These specific objectives of the study are as follows:

1. To identify present phenomena of coffee cultivation.
2. To assess the existing coffee marketing system.
3. To analyze the coffee production and sales of Lumbini zone.
4. To identify the problems faced by coffee farmers and processors.
5. To provide valuable suggestions to the concerned parties for development coffee marketing sector in Nepal.

1.3 Justification/ Rational of the Study

Coffee has become famous beverage among the local people and internationally day by day. Coffee is one of the emerging and high cash generating commodities for hilly farmers of Nepal. Due to high land climate and organic soil condition. Nepalese coffee has specialty as "Organic Coffee" and "High land coffee" above 800 to 1600 masl (Meters above sea level) Nepalese coffee has the good potentiality in the international niche market, but the present quantity is insufficient for demand. Productivity rate of Nepalese coffee is low (300kg /ha) (Tea-A Tea,2063) as compared to other countries. So appropriate technology, research and experimental affords are essential for better production.

Government policies and subsidies are not sufficient. In domestic market, local customers are unknown about ground filter coffee and it is real taste and specialty. Customers own habits on chocolate flavor instant Nescafe. Nepal imports nearly 6 Million worth of coffee per year from India, only 35% of the domestic production is consumed in local market it relies on the tourists, expatriates and higher income Nepalese only.(Tea-coffee 2066) To attract and encourage local customer implementation of marketing activities are necessary as well as coffee brewing demonstration training should be advertised on media. Coffee cultivation is depend on new technical basis and skilled manpower for supervision but research and experimental works are very limited in number so in order to boost up production and marketing required research work. So, coffee production has bright future in Nepalese soil due to its specialty situation, Nepalese coffee has huge demand in international market. Export of coffee can be a media to uplift Nepalese economy and improve

living standard and per capita income of rural people. So this study is concerned on analysis of coffee production and marketing in Nepal.

1.4 Statement of Problems

Coffee is one of the high potential cash-generating crops for hilly farmers of western and central development region of Nepal. Agro based commodities like those that coffee needs more marketing activities for the better achievement. Marketing plays vital role in Economic phenomenon in list development country like Nepal. But limited knowledge about marketing and new technical benefits farmers are still cultivating in small holding land as traditional ways farming rather that commercial ways in large scale as scientific ways.

Lack of infrastructure facilities like road, transport, communication media, irrigation, training and technical support with technical labor, productivity rate is not improving. Therefore, farmers are not fully beneficial. Many times farmers have to sell their product in fewer prices due to quality maintenance and grading of coffee beans.

1.5 Limitation of the study

Lumbini zone covers large area but this study is not able to find out the sufficient result in depth due to certain limitation, rural farmers have no any actual records of expenditure, income of farming. Due to poverty and illiteracy, most of the farmers do not know about marketing activities.

-) The study confined to the survey of core area on Lumbini zone, which is located at the western part of Nepal.
-) Lack of adequate data and literature in the subject.
-) Lack of time and resource to conduct a comprehensive study data for the period 2056 to 2065 are analyzed.

1.6 Organizations of study

This whole study has been organized into five chapters, each devoted to some aspect to the study on selected coffee farmers and processors.

The chapter one to five conveys the following titles:

Chapter one	Introduction
Chapter two	Review if literature
Chapter three	Research methodologies
Chapter four	Data presentation and analysis
Chapter five	Summary, Conclusion. Recommendation

Chapter one introduction mainly contains the background of coffee marketing system in selected area, focus of the study, significance of the study and the limitations of the study. Chapter two review of literature presents the past and present trend of studies which includes topic related different books, articles, periodicals, preview thesis report, news paper, news bulletin, pamphlets various published and unpublished documents of related organizations. This chapter will mainly relate to the theoretical analysis and brief review of related and pertinent literature available.

Chapter three" Research Methodology" deals with the nature and formulation of primary data collection. These chapter with statistical tools to be used to tabulate and analyze the data received from different primary sources will be reviewed. Chapter four "Data Presentation and Analysis" contains presentation and analysis of data to identify present phenomena of coffee cultivation, indicate problems faced by coffee farmers/ processors. Production and sales trends of coffee market. Finally Chapter five contain "findings, conclusion and Recommendations of Study". The bibliography and Annex will be incorporated at the end of study.

CHAPTER II

REVIEW OF LITERATURE

There are many studies conducted for agriculture system development but still marketing problems encounter by farmers and processors are untouched. There for this study is focused on problems faced by them while selling their specialty “Organic coffee”, roles played by different agencies prospects and different policies formulated for the promotion and production, materials for literature review Thesis, dissertation, Journals, Articles, Studies, Report, News paper and Related books etc will be analyzed. The review of literature is analyzed as Theoretical Framework and Review of related studies.

2.1 History of coffee marketing

Coffee is an important beverage of the world. According to the legend coffee is introduced in “Caffa” estate of Ethiopia in Africa when goatherds noticed that their flocks stayed a wake all night after feeding on coffee leaves and berries. In first time Coffee is reportedly originating from Ethiopia in 850 A.D. grown wildly. Robusta coffee introduced from the Atlantic coast (Kouilou region in an around Angola) and the great lake region. First coffee is introduced in Africa but Arabian countries invent coffee as beverage. Uses of coffee before beverage, coffee was a food then a wine and then a medicine.

The scientific name of the common coffee plant is “Coffea Arabica”. There are many varieties of coffee are grown in different countries some of them are Arabica, Robusta, Liberica, Exceisa, Gros Indenie and Kouilou etc. There are more than a hundred brands of coffee found in retail shops but there are three general groups (I) Brazils (II) Milds (III) Robustas. The milds includes all *Coffea Arabica* grown outside Brazil and coffee Robusta is a different kind of coffee, most of which grown in Africa. Most of the coffee is named after the region where it grows or the port from which it is shipped. Mocha is named after the port of Mocha (Al Mukha) in Yemen. so on Java grown and near Java called Java coffee so name is varies place to place.

The first coffee house was established in 1652 A.D. in Oxford, London. (The world book of encyclopedia 1996) At first the coffee houses were open to all they provided a social center where people get together for social welfare in which tea, chocolate or coffee were available, but not allowed alcohol. After the mid of 1700 's there were more than 3000 coffee houses established, some coffee house developed into exclusive upper class clubs, after all coffee houses that were open to all come to be called coffee shop. There are great consumption rate of coffee in coffee shop than any other beverage shop, so coffee shops play a fundamental role in coffee marketing.

Today coffee is widely grown throughout the tropics in Brazil, Indonesia, India, Burma and China so on over 80 countries. Today it is second to oil most valuable commodity in the international trade.

The top coffee producing countries in the world are Brazil as the world's largest grower and seller of coffee which cover largest percent of total demand of world market. Vietnam which expanded its production rapidly through the 1990's now hold the number two position, Colombia into third place and Indonesia into fourth. Venezuela has largest consumption and uses rate in world market. following table represent present status of some coffee exporting countries in the world.

Table 2.1 Some Coffee Exporting Countries in the world

Countries	(Year 2008)(000 bags)
Angola	50
Bolivia	135
Brazil	45,992
Burundi	583
Cameroon	800
Colombia	12,300
Costa Rica	1,867
Cuba	100
Ethiopia	6,133
Guatemala	3,900

Haiti	350
India	4,883
Indonesia	6,250
Jamaica	40
Kenya	950
Mexico	4,500
Nigeria	50
Panama	160
Papua New Guinea	850
Paraguay	25
Peru	4,450
Philippines	700
Rwanda	383
Sri Lanka	35
Tanzania	917
Thailand	825
Uganda	3,500
Venezuela	880
Vietnam	19,500
Zambia	70
Zimbabwe	50

Source: TEA-COFFEE (2066)

2.2 Preparation for market

Handpicked berries or harvested by machines (that vibrate the barriers of the trees) put on water for cleaning and select grading of fresh cherry. Sticks, leaves and the green and bad berries float, while good berries sink. Then good berries are put into pulping machine for further processing.

) Pulping

The good berries go to pulping where pulping machinery removes the pulp. Wet pulping method adds quality in parchment compare to dry pulping method. each

berry contain two beans (seed) each bean has a thin parchment like skin ,and second covering called a silver skin , at first the uncovered coffee beans appear soft and bluish-green, but later they become hard and pale yellow. After pulping parchment are washed with clean water then dried and left to cure for several weeks.

) **Hulling and Peeling**

Milling machines remove the parchment and the silver skin. As the beans come from the machine, a fan blows off the loose skins. The beans then go to the machine called the separator, which removes sand, dust and small or broken beans.

) **Roasting and Packaging**

At the roasting plant, the coffee beans flow by gravity to roaster oven. Coffee roaster place great importance on the taste of their blends, so There roasted on various temperatures for 15 to 20 minutes, for mild/medium/strong flavors on 200 degree c to 450 degree c the beans lose sixth of their weight during roasting . The roasted beans are then cooled and cleaned. After being ground the coffee is packed in vacuum tins, glass jar or in paper bags, with true labeling and brand name to the market through customers.

(The world book Encyclopedia 1996)

2.3 History of Coffee plantation in Nepal

Monk Hira Giri of Aanpchaaur Gulmi in 1938 A.D. first time introduces coffee in Nepal. Monk Giri had brought some seed of coffee from Sindhau Province of Myanmar(the then Burma) for his own use. The crop remained unnoticed as a curiosity crop until 1970 in late seventies when HMG imported coffee seeds from south India for distribution and expansion of coffee as a commercial crop to some extension took place. Respecting the interest of people on coffee and due to favourable climatic condition for its cultivation. Ministry of agriculture decided to launch a coffee development programme in the country. The government provided technical and financial support to the farmers, now it's cultivation has gradually spread to about 40 district of the middle hills of Nepal.

The major shift to commercial coffee production took place in 1977 when the coffee producers were able to sell coffee after the establishment of Nepal coffee company (Necco) in Manigram, Rupandehi district in 1983. Who collected dry cherry from the coffee farmer and processed the coffee for domestic market. Before establishment of Necco. The growers used to processed in traditional way, husked on wooden machine(Dhiki) and fry on clay pots then ground in small stone machine driven by hand (Jhata). Some of them used to ground on flour mills too.

Palpa Madanpokhara stood first place to plant coffee in a commercial way which also became as an agro forestry model attracting many national and international visitors which plays vital role in promotion of Nepalese coffee.

NCPA is active since 1991 which is farmers' forum dedicated for the production, processing and marketing of quality coffee through policy lobbying, technical service and institutional strengthening support to farmers. NCPA is active since 1991 but it became central federation in 1998. there are 13 districts with more than 15,000 farmers associated with NCPA. It has member at different level farmers group at community level represents to the district chapter district coffee producers association and the district chapter represents to the national level Nepal coffee producers association.

The national tea & coffee development board NTCDB is established in 1993/06/02 under tea and coffee development board act 1991 in Nepal, main objective of this board is to promote and strengths tea and coffee sector through policy formulation, technical and managerial support Under NTCDB. Mangsir 1st has been declared as National coffee Day and Government of Nepal has accepted and adopted National coffee policy 2003. Presently Nepal is exporting coffee beans (green beans) in Japan, Germany, America, South Korea and European Countries has been extended to other parts of world.

There are many agencies involved and support in development of coffee production in Nepal which are as follows:

-) Nepal Tea and Coffee Development Board (NTCDB)
-) Department of Agriculture Coffee Development Section
-) Nepal Coffee Producers Association (NCPA)
-) Ministry of Industry, Commerce and Supplies, Export Portion Committee
-) Trade Promotion Center (TPC)
-) Agro Enterprise Center (AEC)
-) Farmer to farmer project of Win Rock International (USAID/N)
-) Coffee Promotion Project (COPP) Helvatas Nepal
-) District Agriculture Development Office (DADOS)
-) District Coffee Producer's Association (DCPA)etc.

Source: Tea-A- Tea (2063)

Table 2.2 Coffee Plantation & Production Area
2007/2008(2064/2065)

S.N	District	Total area Ha	Parchment Production Mt.)
1	Palpa	185	25
2	Gulmi	110	35
3	Arghakhachi	74	10
4	Sagza	205	29.5
5	Kaski	70	13.5
6	Parbat	40	5
7	Lamjung	148	8
8	Gorkha	97	5
9	Baglung	35	5
10	Tanahu	45	2
11	Mayagdi	5	3
12	Sankhuwashava	18	3
13	Ilam	30	15
14	Khotang	7	2
15	Jhapa	2	1
16	Panchthar	8	2

17	Udyapur	2.5	2
18	Lalitpur	70	30
19	Sindhupalchok	77	17
20	Kaverepalanchok	116.5	30
21	Nuwakot	58	13
22	Dhading	16	7
23	Makawanpur	11	3
24	Other District	20	10
	Total	1,450	265

Source: TEA-COFFEE (2066)

Commercial coffee production took place after 1977A.D,during 30 years of time Coffee plantation area is extended up to 1450 ha., like wise production quantity increasing up to 265mt of parchent. Above table presented only 23 top coffee producers districts among 40 district of western and mid hills in Nepal

Table 2.3 Coffee Production and Plantation on Different Years

Fiscal Year	Plantation Area(Ha.)	Production(Mt.)	
		Dry Cherry	Parchment
2051/052	135.70	12.95	
2052/053	220.30	29.20	
2053/054	259.00	37.35	
2054/055	272.10	55.90	
2055/056	277.10	44.50	
2056/057	424.00	72.40	
2057/058	596.00	88.70	
2058/059	764.00	139.20	
2059/060	952.20	217.60	
2061/062	1078.00	250.00	
2062/063	1285.00	391.00	
2063/064	1295.50		270.00
2064/065	1450.00		265.00

Source: TEA-COFFEE (2066)

Above coffee production and plantation table represent that, trend of area coverage of coffee is encouraging but production is diminishing in the year 2055 major factor responsible for low production and productivity became unscientific plantation, poor management of disease, insect pests, shade and nutrient management.

Table 2.4 Coffee export & import 000' fig.

Fiscal year	Export(Green Bean)		Import	
	Amount(k.g.)	Value(Rs)		Value(Rs)
2051/052	14,660	16,43,015		18,23,200
2052/053	5,040	6,37,560		2,38,32,000
2053/054	4,245	60,22,569		1,53,16,000
2054/055	2,000	3,18,000		1,62,64,000
2055/056	3,160	6,34,000		3,27,41,000
2056/057	4,254	14,15,000		3,64,37,000
2057/058	3,677	6,72,914		4,32,00,000
2058/059	9,075	24,55,250		46,21,057
2059/060	16,861	52,04,526		1,41,968
2060/061	24,295	59,46,890		4,09,972
2061/062	65,000	19,66,000		1,68,841
2062/063	91,500	2,76,78,000		22,65,000
2063/064	1,00,180	4,01,17,000		5,60,00,000
2064/065	1,12,000	10,78,00,000		6,44,81,000

Source: TEA-COFFEE (2066)

Nepal both export and import coffee. The rate of coffee drinker is increasing day by day in domestic market. So, Nepal import different brand of instant coffee from India and other overseas countries. Nepal export green parchment to Japan, America, Germany, Korea and other European countries.

2.4. Theoretical Framework:

2.4.1 Marketing:

The roll of marketing has been growing in the recent years in core concept marketing start with human needs, wants and demands. Needs describe human's basic requirements and wants are specific satisfaction of needs. Demands are wants backed by an ability and willingness to buy products so, marketing is concerned with demand stimulating and fulfilling activities aimed at satisfying the needs of the customers through the exchange relationships to achieves organizational objectives with social responsibility in a dynamic environment marketing has no universal definition.

According to Prof. Philip Kotler: Marketing is a Social and Managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

Considering the most accepted Kolhs's definition of marketing as "the performance of all business activities involved in the flow of goods and services from the point of initial production until they are in the hands of the ultimate consumer", some economic conflicts may arise in marketing system. In effect, consumers need the highest produce value at the lowest possible price; farmers want the highest possible return of their products while middlemen seek to earn the greatest profit. A good marketing system has to reconcile all these points.

2.4.2 The main rolls of marketing are:

-) Marketing provides information about features, advantages and benefits of products or services.
-) Marketing recognize customer needs wants and demand for customer satisfaction .so it plays key role in satisfying customer needs.
-) Marketing also provides essential information for planning, controlling and decision making for effective management.

-) Marketing activities build goodwill or image of the organization which is an important credibility indicator.
 -) Proper and suitable marketing activities are very effective measure to increase the competitive strength of organization etc.
- (Agrawal, G.R. (2001) Marketing management in Nepal)

2.4.3 SWOT analysis of Coffee Development:

Strength:

-) Increasing attraction of farmers towards coffee cultivation day by day.
-) Nepalese coffee farmers are convinced and organized from villages to national level.
-) Organic coffee farming technology is extended among coffee growers.
-) Available of cheaper labors comparison to other country.
-) Geographically favorable and feasible highland area to grow specialty coffee.
-) Nepalese coffee has got the penetration in the international market.

Weaknesses:

-) Due to remoteness of the coffee growing areas difficult to delivery service input on financial, infrastructural, processing and marketing facilities.
-) Only few farmers have got coffee as the major part of their household economy but environmentally suitable coffee growing are is still not conducive for business orientation.
-) Farmer's organization is not operating on its internal revenue but relying on the externally founded development support.
-) Lack of appropriate policy and difficult in implementation.
-) Lack of knowledge regarding total quality control system.
-) costly organic certification system

Opportunities:

-) NGO'S and INGO'S training and technical support.
-) Reduction of trade and tariff barriers comparison to previous years.

-) Opportunity for foreign investment on coffee sector.
-) Huge opportunity of employment on rural area.
-) Farmer's organization is favorable to develop the commercially viable service packages to assist farmers for coffee cultivation and development on commercialization of coffee in Nepal.
-) Nepali coffee has strong image as highlander coffee, grown above 800 masl to 1800 masl

Threats:

-) Lack of co- ordination of the different stake holders may result in the not competitive value chain of coffee sub sectors.
-) Government commitments may not be consistent to sustain the coffee industry in the loge run.
-) Commodity associations may fail to promote the total quality concept and price volume still remains incompatible with the international market.
-) Big challenge to maintain the sustainable image of Nepalese coffee in international market.

2.4 .4 (4 Ps) of Marketing in context of Nepalese coffee market

Place:

-) Development of Infrastructural facilities for better utilization of place like Road, Electricity, Warehouse, Skilled local manpower.
-) Recognition of potential coffee market nationally and internationally.
-) Recognition and development of feasible area to extend coffee pocket area commercially.
-) To find out better market for future and to build strategies to penetrate the potential market.

Price:

-) Selection of daily consumable product depends on price so consumer should be provided with better and satisfying choice for the price they pay for the product.
-) Fixation of standard price is required comparison to international market.

-) Nepalese specialty coffee in competitive market, price should be fixed under its brand image.

Product:

-) Product is a physical thing where innovative and attractive packaging attract customer at glance which arose customer interest in the product with positive influence. So Nepalese specialty coffee need adorable packaging.
-) The design, color, shape and size of packaging should be convenient for customer to carry open, use and store so on structure of packaging material should be appropriate to the need of customer.
-) Reusable and multiple uses packaging increase customers value so that attract customers towards product.
-) The implementation of protection act since 1998 has prescribed strict labeling requirement.

Promotion:

-) Promotion is an important tool in marketing to serve, inform persuade reinforce and remind the target customers about product price and place with the highly visible element in the marketing.
-) Advertising is one of the most widely used promotion tools. We don't find any advertising in local communication media to attract local customer except pamphlets and push sales on trade fair, and only word to mouth in direct selling.
-) In Nepalese context audio visual media (T.V.), Audio media (Radio, FM Broadcasting) print media(Pamphlets, Journals, Booklet) and visual media(Hoarding board, display sign) are suitable for advertising media is preferable for domestic market to spread messages about specialty of Nepalese coffee. E-marketing is the best promotional tools for international market.

2.5 Review of Related Studies:

2.5.1 Bhushal's Study

Bhushal(1993) in his study entitled “coffee production in Nepal problems and prospects”, states that the return from coffee is more than cereals so it is more applicable enterprises for the rural farmers of Nepal to earn money by investing low amount they have. It is very helpful to reduce disguised unemployment in rural area being labors incentive enterprise. He found the major problems as low price of coffee due to marketing system, the speed or modernization was found very slow, lack of guidance in farming and very low extension works in study area, lack of infrastructural development. Finally he suggests if these kinds of problems are seriously observed by related agencies and government can coffee production in Nepal will increase in future.

2.5.2 Khanal's Study

Khanal(1997) in his study entitled “Studies of coffee production in Gulmi district” has analyzed only secondary data's in to descriptive and analytical way. Research states that agro- technology diffusion is the key factor for fall/ rise in production. Due to lack of irrigation facilities and insects/pests coffee production had been gradually decreased for few years farmers were diverted toward main crop production for easy fast gain. Finally he suggest it those problems are removed coffee production have bright future.

2.5.3 Pathak's Study

Pathak (1998) in his study with entitled “coffee marketing system in Nepal”, with special reference to Palpa, Gulmi, syangza and Baglung districts, had presented about farmers present phenomena, problems and motivation content where they need technical support and training for professional farming skill. Lack of irrigation low productivity, as well as lack of marketing system still market promotion was not properly done only personal contact and push sales were employed so farmers are unable to sells their production in niche market.

2.5.4 Gyawali's Study

Gyawali (2003) In her study with “Coffee Production and Marketing” a case study of Madan Pokhara VDC, Palpa district, Nepal. she focused on Evaluation of socio-economic and supporting institution, production and consumption of coffee by collecting data's from primary and secondary sources. Study of Luna Gyawali conducted that coffee farming has wider scope in Palpa district and it will be able to uplift living standard of local people if it is grown under quality management by providing necessary incentive to farmers by government.

2.5.5 Thakur's Study:

Thakur (2001) in his study with entitle of “The Roll of Advertising in Brand Loyalty” with special reference to soft drink. Has data collected from 90 respondents of Kathmandu valley on cold season had presented one of the finding on consumption of different drinks affected by brand loyalty due to advertisement is shows on the table that 36.67% of consumers consume tea, 33.33% consume different brand's soft drinks, 22.22% consume coffee and only 7.78% consume fruit drinks. The consumption affects by the brand loyal customers. So which indicate coffee is the third preference in study area as a drink.

2.6 Review of Books, Report and News paper

2.6.1 Green marketing:

Green marketing concept rose due to pressure from consumer. People are environmentally conscious ,various environmental problems raised from economic activity these include climatic changes due to excessive use of fossil fuels, chemical pesticides, fertilizer, use of plastic etc . it caused land erosion , extinction of plant and animal spices , loss of bio-diversity , air and water pollution so negative impact on human being organizations particularly in manufacturing have started to clean up their act because of legislation against pollution. Business organizations have applied societal marketing concept as well as issues of consumerism and the power of consumer presser group. {Woodruffe H. (1997)Service Marketing }

2.6.2 Coffee Promotion Project (COPP):

Helvetas Nepal, under the national resource management sector, initiated coffee promotion project (COPP) has been implemented since 2002, with the major goal of the project is to contribute in the improvement of livelihood of small farmer of central and western development regions of Nepal with specific attention to the Dalits, Janajatis women and poorest of the poor increasing income and providing employment opportunity through strengthen the coffee sub sector. Main objective of the project are focused on increasing the productivity and quality of coffee, improving the marketing system, and also strengthening the governance and transparency in coffee producer group & association. Co-ordination with government of Nepal the project intends to provide support as per the demand of stakeholders at all levels in a suitable way. The effort of COPP on different coffee growing area is as follows.

-) Since 2003 efforts on sustainable soil management programmed (SSMP) Helvetas in Sanja, Parbat, Kavre and Sindhupalchowk so on as other district.
-) Local Initiatives Support Programme(LISP) Helvetas in Palpa has been interventions in the area of organizational capacity building , organic technology.
-) Learning through monitoring (LTM) programmed was launched.
-) Improvement compost making (FYM), organic fertilizer and pesticide preparation training.
-) Organic certification has been provided to more then 1000 farmers in Gulmi district with under control technique.
-) On-farm post harvest quality management (OPQM) training.
-) Coffee brewing training and tasting demonstration programmed were held among 10,600 student of campus/college in Kathmandu valley.

(Helvetas Nepal, Bakhundol Lalitpur) Annual report (2005)

2.6.3 Coffee is good for health:

Published as according to the study by American scientist Joe win son, department of chemistry, university of Scorten Pensalvaiuia states that coffee is good for health' in an experiment on more than 100 food product, he found most anti-oxidant than any other food. The anti-oxidant in coffee gives refreshment, it prevents from cancer,

cardiac diseases, diabetics and paralysis. According to professor 'drinking two cup of coffee doesn't make any harm at all. It's better to have coffee early in the morning rather than tea. Thus, suggested people to have two cup of coffee daily to be healthy.

(In Kantipur National Daily, year 13. vol. 199, Kathmandu sept. 4, 2005)

2.7 Review of Coffee Development policies 2061

2.7.1 Coffee Policy on Marketing & Trade promotion:

1. Co- ordination with foreign mission shall be established for coffee export promotion.
2. Organic production shall be promoted by organizing different programme & campaign highlighting the importance of organized farming.
3. To substitute the import, priority will be given to domestic coffee for the fulfillment of internal demand.
4. Approval from the board is necessary while exporting the coffee from domestic market as well as importing from abroad.
5. Facility of export without letter of credit will be granted on such export comprising the total amount not exceeding us dollar 30,000 in one shipment.

2.7.2 Coffee Policy on Production and Processing:

1. Development and dissemination of modern and improved technologies will be done in co-ordination of with the government and private sector through the establishment of research center, service center and improvement of the present coffee development center.
2. Commercial coffee cultivation area will be given priority for infrastructural development like road access, electricity, irrigation, communication etc.
3. Land revenues shall be levied according to the existing regulation.
4. Necessary skilled human resources shall be developed for coffee cultivation and processing.
5. Facility shall be provided on import of machinery and tools for coffee processing industry.
6. Facilities & subsidies provided through this policy can be withdrawn if found they are not being used according to aforesaid objective.
7. Attractive national logo shall be promoted for exportable coffee items.

8. Machinery tools required for coffee processing shall be encouraged to production within the nation.
9. All individuals and organizations involved in commercial coffee farming, coffee export/import and coffee trade should be registered with the NTCDB
10. Public & private owned land shall be provided on lease for coffee cultivation.

(Source: <http://teacoffee.gov.np>)

2.8 Review of Policies Related to Coffee Development in Five years National Plans

2.8.1 Seventh Five Year periodic plan(1985 – 1990):

Nepal's five-year periodic plan was initiated by 1956. In other previous plans were only focused on expansion area of coffee production is mentioned in secondary form, so jumped into seventh periodic plan. In this plan year, main objectives focused on existing production of 19 m.t. of coffee will be increased to 46 m.t. as well as coffee production area of 61 ha. To 151 ha. To achieve the target objective the following programs were announced.

-) Production resources and means will be mobilized for coffee plantation as special program.
-) Greater emphasis will be given in the expansion of coffee farm in a commercial scale in Palpa , Arghakachi as well as Gulmi district.
-) Production inputs like agricultural loans, chemical fertilizer, seeds and different technical services will be provided through the nearest service center.
-) Under proper technical supervision, private nurseries will be marketed.
-) Necessary technical services will be provided to processor like roster and grinder.
-) Additional arrangement will be made to fulfill targeted objectives during plan period.

Sources: National Planning Commission of Nepal 1985.

2.8.2 Eight Five Year Periodic Plans(1992 – 1997):

In this plan, expanding coffee plantation area was the main objectives, so cultivated area of 170 h.a. will be estimated to increase up to 350 h.a. and yield level will increase from 0.2 MT./h.a. To 0.3 MT./h.a. Palpa Arghakachi and Gulmi district are on priority under the intensive fruits extension program with coffee. National Tea and Coffee development board was established as an institutional development in this plan period. Following programs were formulated to achieve the goal:

-) Publicity campaign programme will be launching in coffee farming potential area and district.
-) Some selected pioneer farmers will be chosen on a study tour about coffee farming and its economic significance to familiarize them for better achievement.
-) Mutual co-ordination will be established between coffee processor and producers for the development of market on coffee so, training program will be introduced.
-) Special emphasis will be given to promote coffee plantation by providing degraded forest area on long-term lease.

Sources: National Planning Commission of Nepal 1992.

2.8.3 Ninth Five Year Periodic Plan (1997 – 2002):

Coffee farming could not be expanded as desired during this plan. Projected coffee plantation area and production was 350 h.a. and 153mt respectively. The total area of plantation at the end of the plan was only 300 h.a. and 37mt. only. Coffee development program could not achieve the expected progress due to inadequate research and marketing facilities. Coffee development program will be carried out as follows in the Ninth Plan.

-) Priority will be given to provide support services in order to promote commercial coffee production.
-) To conduct commercial farming, priority to the pocket area of feasible district will be co-ordination with Nepal Agriculture research council (NARC) for technology development of producing qualitative coffee grain.

-) Emphasis will be given for infrastructure (Road, Electricity) in commercial coffee production area.
-) Arrangement will be made for study and training for manpower development on related field.

Sources: National Planning Commission of Nepal 1998.

2.8.4 Tenth Five Year Periodic Plan (2002- 2007):

Objective of the tenth plan is mobilization of agricultural and rural credit in an integrated manner to help rise in gross domestic product by increasing the agricultural productivity. Commercialization of coffee in agriculture and market development of export promotion and the import substitution crop produced in such pockets area are priority in this plan.

-) Agriculture extension services will not be limited but such pocket area will be expanded and finally developed Technology dissemination pocket package program will be launched on focused area.
-) By greater participation and involvement of the cooperatives, the private sectors will be involved in agriculture and livestock development program will be implemented.
-) In the context of Nepal's entry into W.T.O., related research and development will be applied to maintain competitive quality/standards for the promotion of export of coffee as well as other agricultural products.
-) The non-government organization will be encouraged to encompass the existing community based organization groups rather than forming new ones while implementing the programme.

Sources: National Planning Commission of Nepal 2002.

CHAPTER – III

RESEARCH METHODOLOGY

Research is a systematic dynamic, rigorous step by step process of in resting a specific problem that needs solution. Methodology refers to various steps that are generally adopted by researcher in studying this research problem along with logic behind it. So, research methodology is way to systematically solve the research problem, what we are doing at present. Both descriptive and analytical types of research are employed to fulfill the objective of research work. Primary source of data were questionnaire and interviews with officials.

3.1 Research Design:

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to the questions collecting, analyzing and evaluating data after identifying, (i)what researcher want to know and(i) what has to be dealt with in order to obtain required information (wolf and pant, 2002) In order to conduct this study historical, descriptive cum analytical research design has been adopted. Descriptive research design has been utilized mainly for conceptualization of the problem. This research is intended to collect the factual information which describes the past and present trend of coffee marketing and problem faced by coffee grower and processor in Lumbini zone. Collected primary data's are explored by using some statistical tools. This research doesn't show any kind of relationship between two different findings so it is just exploratory in nature. Collected data are simply explored by using some statistical tools.

3.2 Study Area:

The main reason for selecting the area is that the places are familiar with the researcher and information can be collected easily. Apart from this the history of coffee plantation emerged from Gulmi district and most of the farmers are coffee growers in this area. The coffee cultivation and development program were also first initiated in Gulmi district of Lumbini Zone. Gulmi district is famous for coffee plantation and qualitative production. Total coffee cultivation area of Lumbini zone

are 369 hector where total no of farmers are more than 5,600 approximately. This three district is most feasible geographic area above 800 masl to 1600 masl for coffee cultivation of Lumbini Zone. Mainly this research only covers some VDC of Gulmi, Palpa and Arghakhachi district of Lumbini zone as representatively.

3.3 Nature and Source of Data:

This study is based on primary and secondary data. But mainly this study is based on primary data were collected from four main processors and 110 farmers from some VDC of three district of Lumbini Zone. Primary data is collected through the questionnaires by undergoing field visits to selected sites, distributed to the respondents individually and even help them to answer question by explaining the question to those who are not familiar with English Language and questions for farmers are prepared in Nepali. Apart from this some information is collected through direct interview with the factory owners and farmers leader. Similarly some secondary data and information have been collected from various sources i.e. offices like National Tea & Coffee Development board Kathmandu, Agro department center, Helvatas Kathmandu, DCPA of , Gulmi, Palpa and Arghakhachi and NCPA of Kathmandu. As well as websites(i.e. <http://teacoffee.gov.np>) and other related resources.

3.4 Population & Sampling Basis:

In Lumbini zone altogether there are six identified coffee processors and 5,600 farmer (approx.) in Gulmi, Palpa and Arghakhachi. The sample Population of this study only covers 110 coffee farmers and 4 identified coffee processor from above total population, which is tabulated below.

Table 3.1 Selected four processors from four district

S.N.	Name of the Company	Address	Established Year
1	Nepal Coffee company Pvt. Ltd (NECCO)	Manigram, Rupandehi	1984 A.D
2	Nepal Organic coffee Products (NOCP)	Madanpokhara, Palpa	1995 A.D.
3	District Cooperative Federation (DCF/G)	Tamghas, Gulmi	1993 A.D.
4	Annapurna Organic Agricultural Udhoyg (AOAU)	Sandhi kharka, Arghakhachi	2003 A.D.

Table 3.2 Selected 110 coffee farmers from 19 VDC of three District

VDC's of each District	Gulmi District	Palpa District	Arghakachi District
	1.Balithum 2.Remuwa 3.Mushikot 4.JaishiThok 5.DarbarDevistan	6.Badagao 7.Arje 8.Dhamir 9.Hasara	1.Harthok 2.Rupse 3.Heklang 4.MadanPokhara
	5.Tahu 6.Argeli	1.Marang, 2.Arghatok 3.Bhagbati 4.Chataragunj	
Total cultivated land	110 Ha	185 Ha	74 Ha
Yearly parchment production	35 MT	25 MT	10 Mt
Total no. of farmers	3,300 (increasing)	1,800(increasing)	500 (increasing)
No.of sampled farmers	54	38	28

3.5 Method of Data Collection:

The structured questionnaire and interview method with closed as well as open form were used to gather more information some unstructured questionnaires and required observation of the cultivated area have been done. Some information were gathered by the discussions with officers of National tea & Coffee Development Board, INGO (COPP, WINROCK), DCPA, NCPA and leader farmers/growers/processors. For the data collection, work two types of questionnaire were prepared. One is for processors and other in Nepali version for farmers and growers are collected.

Questionnaires are designed in such manner, which can cover all the objectives of the study from this questionnaire coffee growers were asked about the past and present trend of coffee market as well as problems faced by growers and processors.

Questionnaire is constructed in the Following way as shown in Figure.

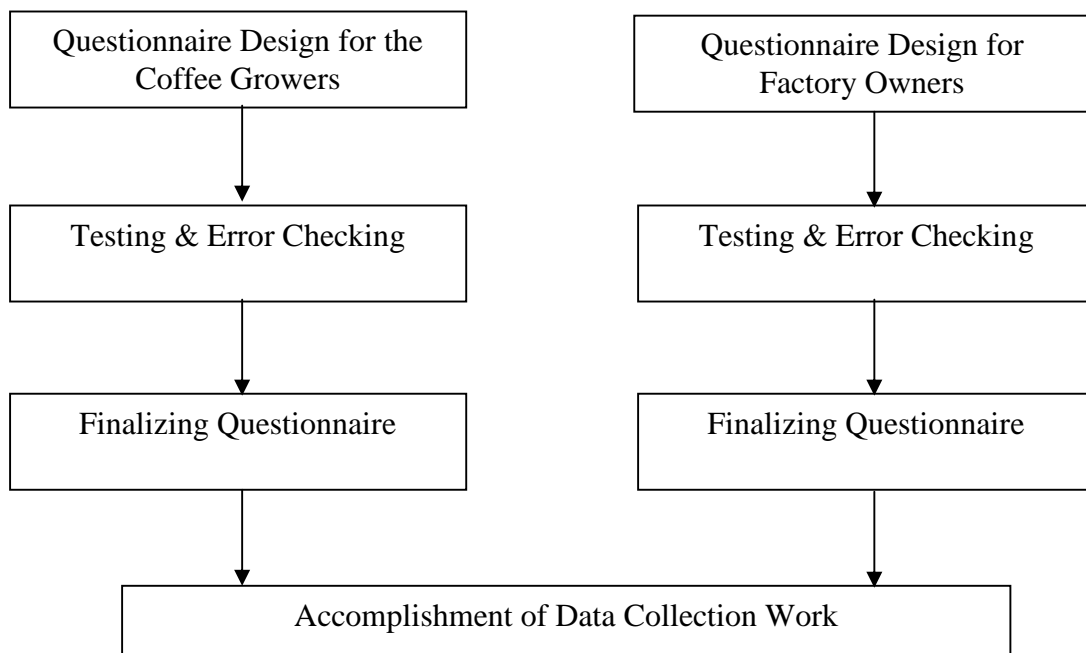


Fig 3.1 Questionnaire Preparation Work

3.6 Technique of Data Analysis:

First of all filled questionnaires are carefully checked to remove errors and inconsistencies so following procedures are applied.

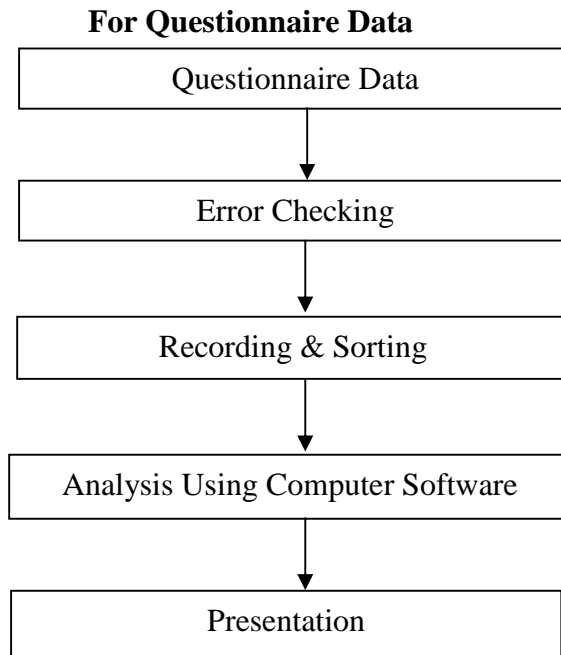


Fig 3.2 Data collection and analysis process

B. For Formal/Informal Interview

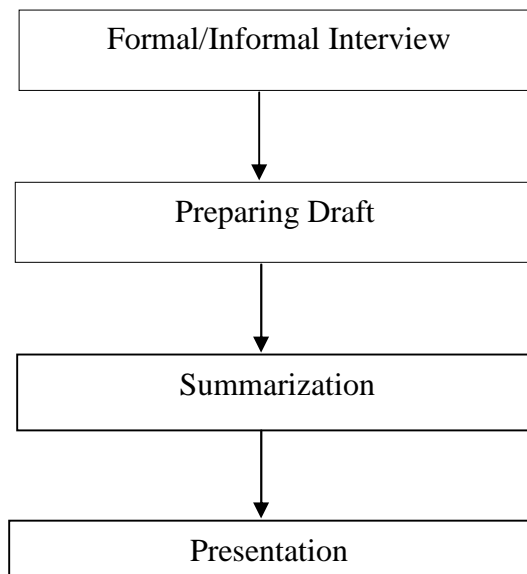


Fig 3.3 Data collection and analysis process

Microsoft Excel is used to record and process the collected data to prepare bar diagrams and pie chart for data analysis and for presentation Microsoft Word has been used.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

I. Present phenomena of coffee cultivation:

4.1 Coffee Farmers Response

4.1.1 Profession & Duration of coffee Cultivation

During the survey 85% of respondent were totally engaged in agricultural Profession and remaining respondent 15% are engaged in other profession besides agriculture like teaching, business, private as well as government services. 45% of them are engaged in coffee farming for five years only where as 55% of them started for more than ten years. This information indicates most of the farmers were attract toward coffee cultivation as cash crop since decades.

(Source: Field Survey)

4.1.2 Total Land Holding, Coffee Cultivated Area

The Survey was conducted among the 110 Farmers in 3 districts of Lumbini Zone (Palpa, Gulmi, and Arghakhachi). Only few farmers have up to 30 Ropanies (20 Ropanies=1 Hectare) and have planted coffee in around 50 % of Total land holding.

Table 4.1 Land Holding and Coffee Cultivated Land

No of Respondents in each group	Group of Similar Respondents	Average Land Holding(Ropanies)	Coffee Cultivated Land(Ropanies)	Percentage
56	Group 1	15	2	5
32	Group 2	20	5	14
14	Group 3	25	10	27
4	Group 4	30	20	54
110	Total	90	37	100

Source: Field Survey

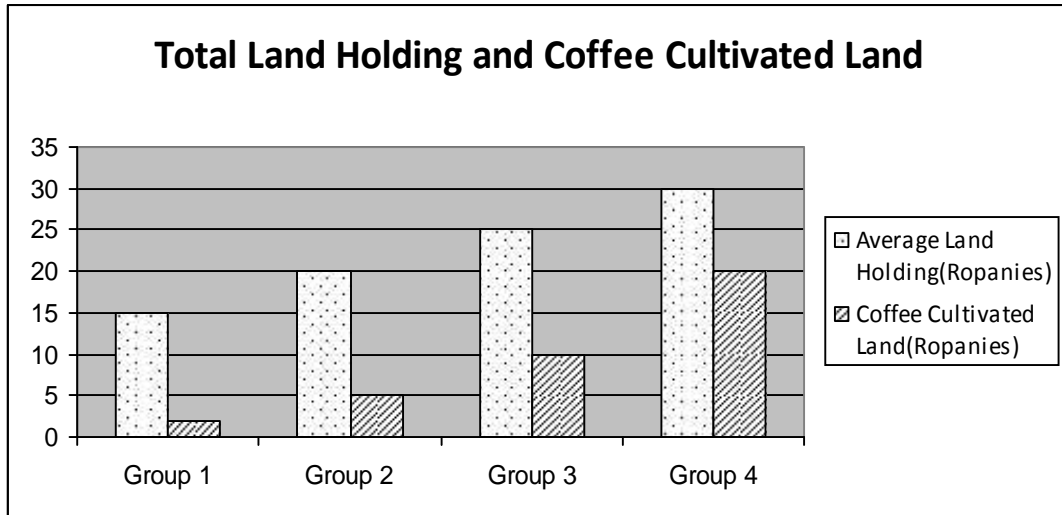


Figure 4.1 Total Land Holding and Coffee Cultivated

Among 110 respondents surveyed, the total land holding of the respondents is 90 ropanies where 37 ropanies (41%) are only coffee cultivated land. 56 respondent have 5% coffee cultivated land is occupied of total land, 32 respondent have 14%, 14 respondent have 27% and rest only 4 respondent have 54% of total coffee cultivated land. This data show most of the farmers cultivated coffee in two ropanies of land, where few respondent cultivated coffee as commercial way.

4.1.3 Land used for Coffee Cultivation

Table 4.2 Land cultivation before coffee plantation

S. No.	Particulars	Respondents	Percentage
1	Maize, Millet, Wheat	91	83
2	Marginal Land	8	7
3	Waste Land	6	5
4	Others	5	5
Total		110	100

Source: Field Survey

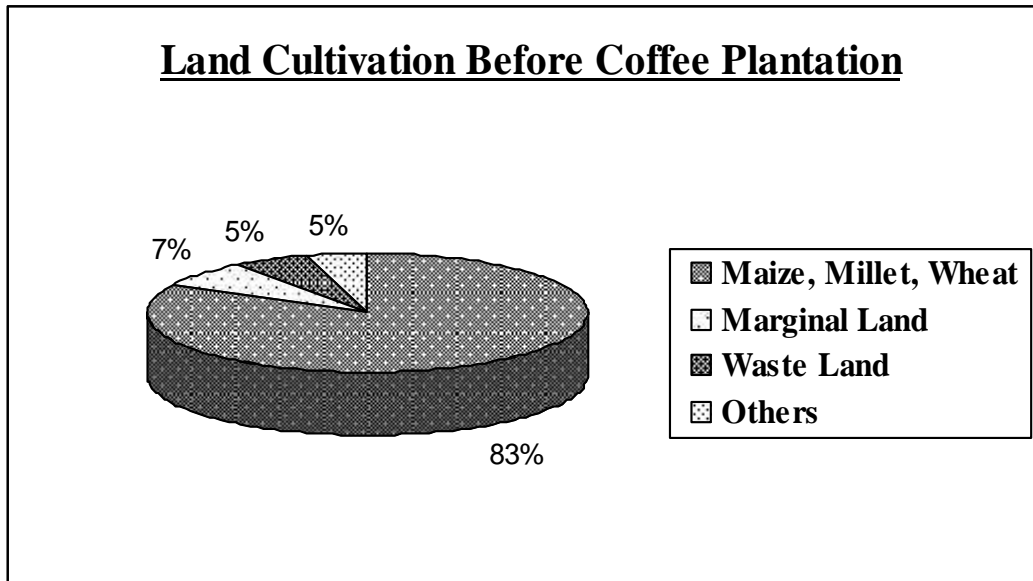


Chart 4.2 Land cultivation before coffee plantation

83% of respondent are using food crop harvesting land (Maize, Wheat, and Millet) for coffee plantation. Only 7% of respondent used marginal fallow land for coffee farming, 5% of them used waste land (slope land) were food crops didn't grow and rests of the 5% were other types of land (floods destroyed unfertile soil) were cultivated in Madan Pokhara VDC. This result shows that farmers of Lumbini zone are still attracted to cultivate coffee in fertile and crop growing land for farming.

4.1.4 Land prefer for Coffee cultivation

Table 4.3 Land prefer for Coffee cultivation

S.N.	Particulars	Respondents	Percentage
1	Private Land	75	69
2	Public Forest	17	15
3	Both Above	18	16
4	Lease/Rent	0	0
Total		110	100

Source: Field Survey

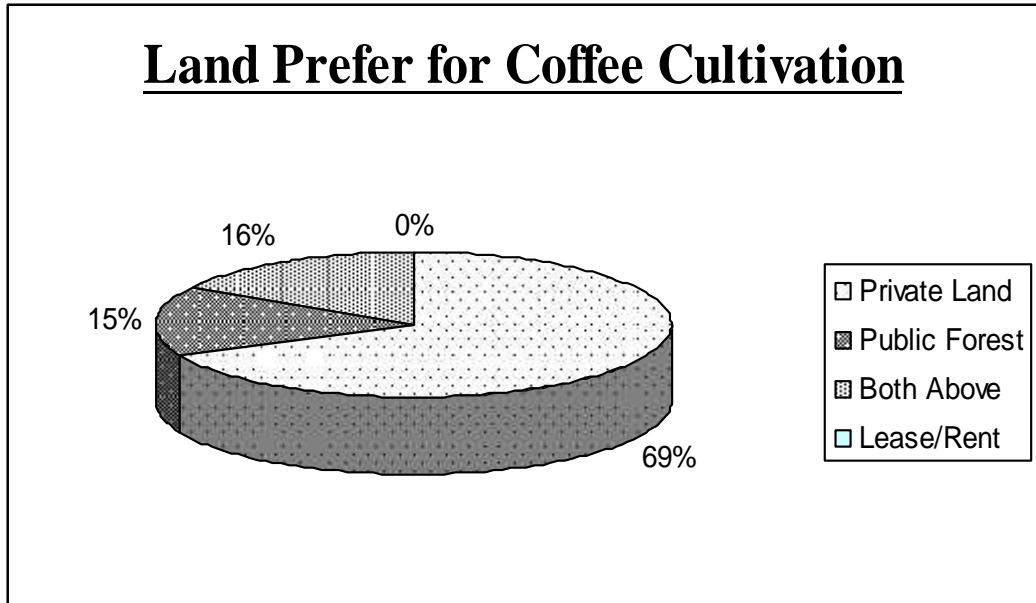


Chart 4.3 Land prefer for Coffee cultivation

69% of coffee farmers prefer to cultivate coffee in their own private land. 16% of others like public forest for cultivation because coffee is forest suitable plant with the support of HMG of Nepal. Other 15% of the respondent choose private as well as public forest (both above) for coffee cultivation due to their limited private land and new context of utilization of public forest. None of them were interested lease/rent lands for coffee cultivation due to complexity in long term.

4.1.5 Medium for Selling Coffee

Table 4.4 Medium for Selling Coffee

S.N.	Particulars	Respondent	Percentage
1	Collector	15	15
2	Processor	25	25
3	Exporters	0	0
4	Mediator/Collector	60	60
Total		100	100

Source: Field Survey

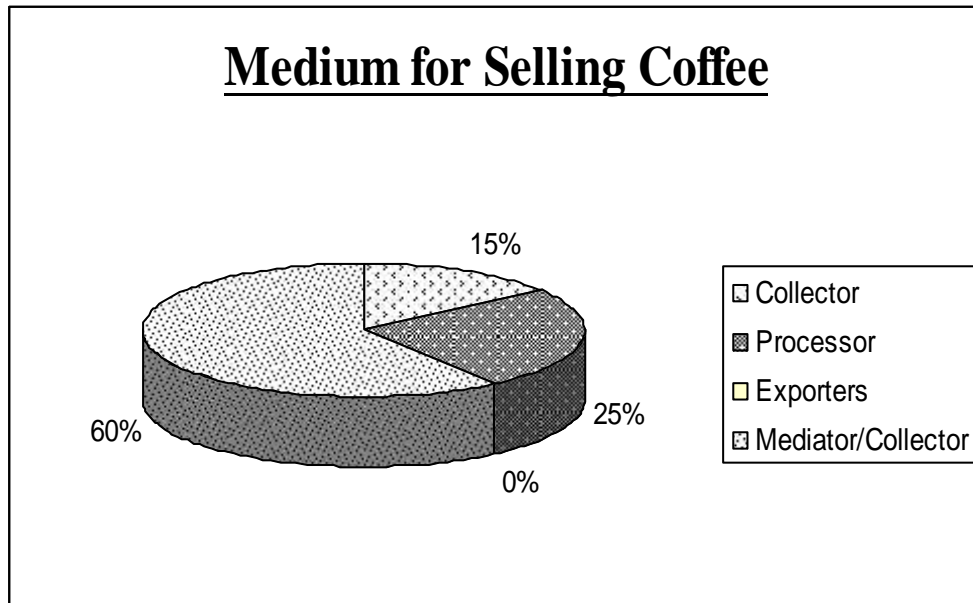


Chart 4.4 Medium for Selling Coffee

60% of respondent are selling their production to mediator/collector (DCPA and DCF/G) and 25% of them directly selling their coffee to processor where as 15% of the respond sales their coffee to local collector but none of them directly sales their coffee to exporter.

4.1.6 Labor Used

Table 4.5 Labor Used

S.N.	Particulars	Percentage	Respondent
1	Family Members	86	95
2	Local village labor	14	15
3	Labor from other village	0	0
4	Others	0	0
Total		100	110

Source: Field Survey

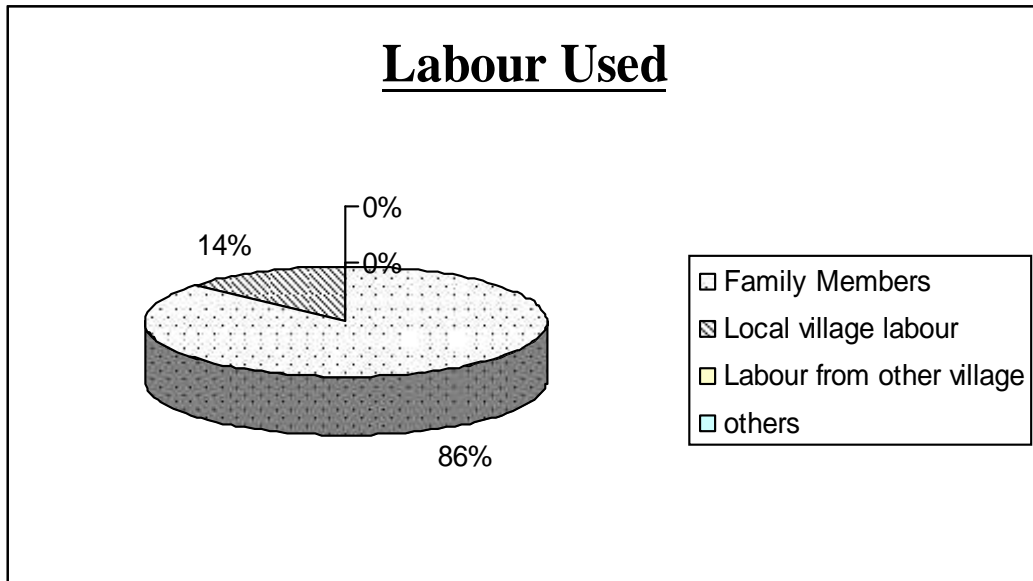


Chart 4.5 Labour Used

Coffee production is the labor incentive industry where some of the coffee growing countries are suffering due to labor problem. In study area 86% of the respondent used their family members for coffee farming and only 14% of them used seasonable local village member for farming help. None of them used other type of labor and labor from other village. Recently there is enough labor available in local market.

4.1.7 Satisfied with coffee policy

Table 4.6 Satisfied with coffee policy

S.N.	Particulars	Percentage	Respondents
1	Yes	41	45
2	No	23	25
3	Don't know	36	40
Total		100	110

Source: Field Survey

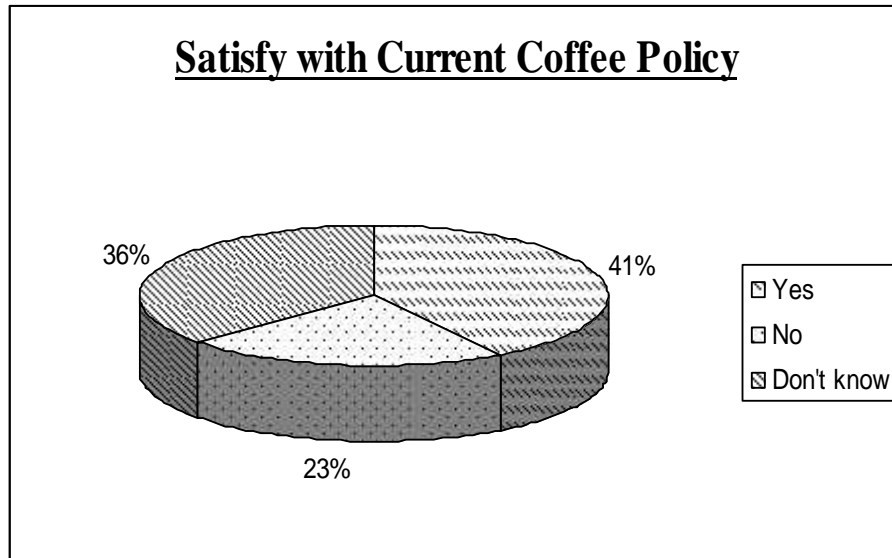


Chart 4.6 Satisfied with coffee policy

41% of respond are satisfied with current coffee policy but 23% of them are unsatisfied with current policy open their point of view formulated policies are not implemented properly and some of the policy are not suitable for their coffee growing area. 36% of the farmers are unknown about HMG's coffee policy.

4.1.8 Recent Selling Price

Table 4.7 Recent Selling Price

S.N.	Particulars	Respondents	Percentage
1	Satisfied	40	36
2	Unsatisfied	32	29
3	None of the Above	38	35
Total		110	100

Source: Field Survey

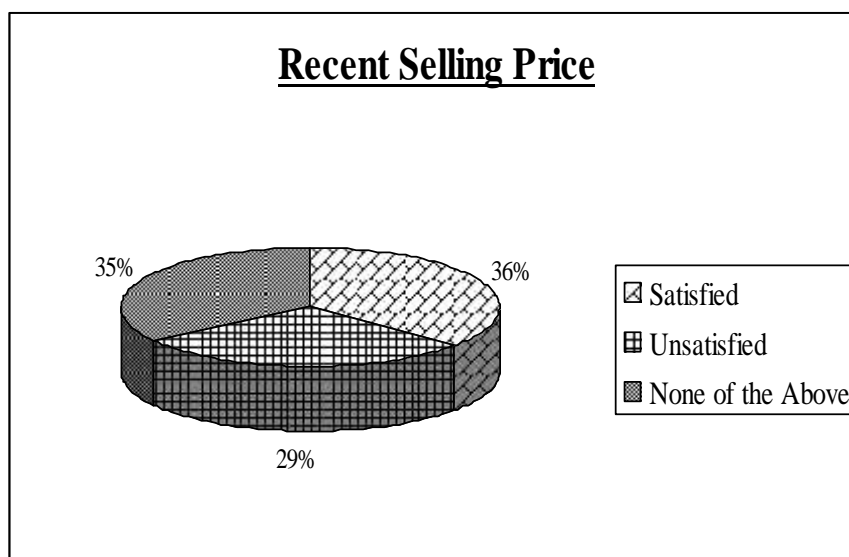


Chart 4.7 Recent selling Price

36% of the respondents are satisfied with current selling price. They explained that coffee is three times more profitable than crop production. But 29% of them are unsatisfied with current selling price due to unmatchable price between farmers and processors /exporters. Rest of them 35% indicated for none of the above because they found that current selling price is reasonable for them.

4.1.9 Promotional Tool for Domestic Market

Table 4.8 Promotional Tool for Domestic Market

S.N.	Particulars	Respondent	Percentage
1	Trade Fair	54	49
2	Direct Selling	5	5
3	Communication Media	25	23
4	Brewing	18	16
5	E-Marketing	8	7
Total		110	100

Source: Field Survey

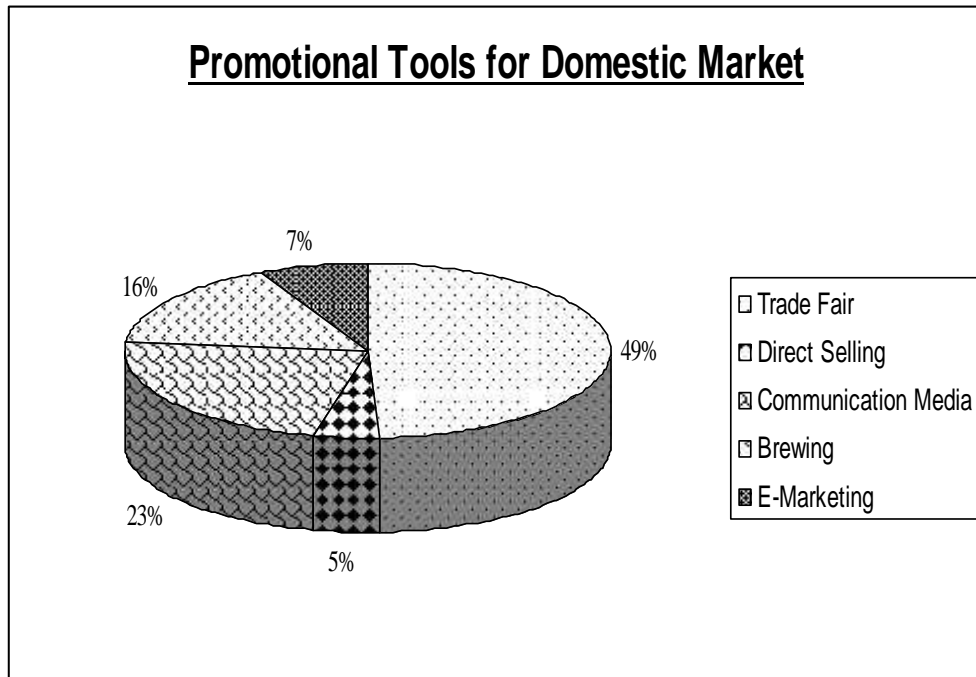


Chart 4.8 Promotional Tools for Domestic Market

To uplift domestic coffee market respondent were asked to choose best promotional tools for local advertisement. 49% of them indicate for trade fair in local level, 23% of them communication media are the best tool because local F.M., T.V. etc are the suitable media where as 18% of the respondents indicate Brewing technique demonstration is the best tools. Only 7% of them indicate on E-marketing is the best in scientific age. Remaining 5% of them chosen direct selling are the best tool was they can meet consumer directly.

Thus in Nepalese context highest number of respondent explained trade fair is the best because direct selling, push selling, brewing demonstration, distribution of Pham plates can be distributed as advertising during trade fair.

4.1.10 Promotional Tools for International Market

Table 4.9 Promotional Tools for International Market

S.N.	Particulars	Respondent	Percentage
1	Trade Fair	13	12
2	Direct Selling	0	0
3	Communication Media	26	24
4	Brewing	0	0
5	E-Marketing	71	65
Total		110	100

Source: Field Survey

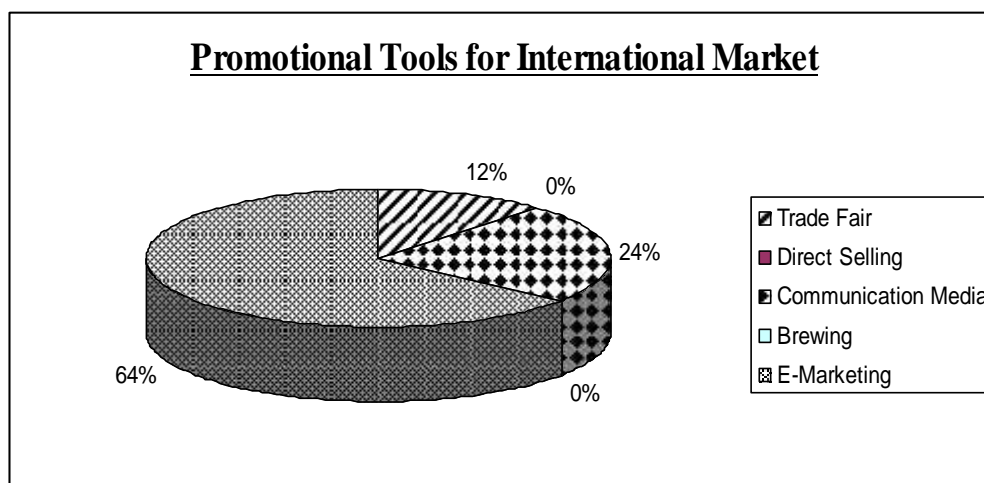


Chart 4.9 Promotional Tools for International Market

64% of the respondent indicates E-marketing is the best tools for the promotion of Nepalese specialty coffee in international level. 24% of the respondent found communication media (advertisement on T.V./Radio etc) are accessible between consumers. Where as only 12% of them chose trade fair in international level also play vital role for promotion.

4.1.11 Benefit of Branding:

Table 4.10 Benefit of Branding

S.N.	Particulars	Respondents	Percentage
1	Sales on fixed Price	12	11
2	Get Easy Market	22	20
3	Get Brand Loyal Customer	10	9
4	All of the Above	66	60
Total		110	100

Source: Field Survey

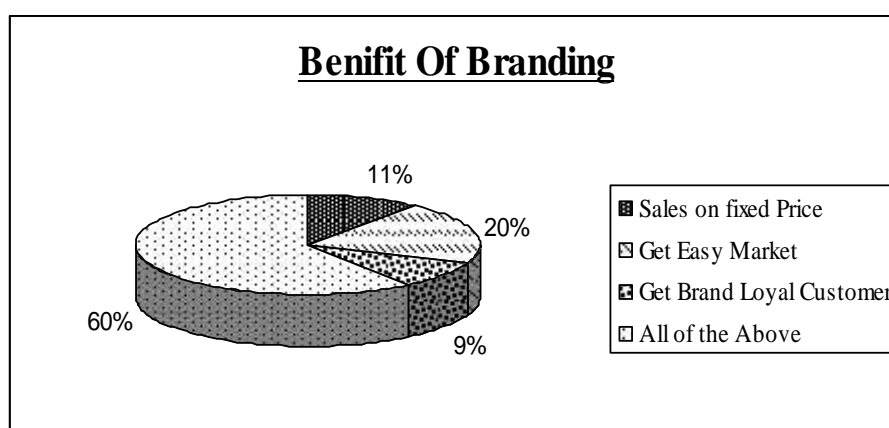


Chart 4.10 Benefit of Branding

60% of the respondent found that all of the above benefit of branding can be ripe by establishment of our own brand name of Nepalese coffee in competitive market. 20% of the respondent found with proper brand name market can be easy to get. Other 11% of them choose for sales on fixed price and only 9% of them choose branding can be benefited to get loyal customer for their product.

4.1.12 Support from NGO & INGO's:

Some NGO & INGO's are mainly playing supportive role in the field of Vermin composting organic fertilizer certification, better shade management, soil moisture conservation, wet pulping for quality management with proper tools and techniques and regular maintenance of coffee orchard by training, pruning, irrigation and cultural operation to the farmers in study area in farm level to market level.

Following NGO & INGO's are mostly supportive institutions.

1. NTCDB
2. DCF/G
3. COPP(Helvatus)
4. Winrock
5. DCPA
6. DADO etc.

4.1.13 Fertilizer use:

Due to green revolution and organic certification all of them 100% are using organic fertilizer. They even use home made pesticides to control pest with the mixture of Neem, cattle urine, Garlic paste etc for quality control and organic cultivation.

4.1.14 Organic certification:

In study area 82% of the respondent were organic certified under internal control system in IFOAM technique. Remaining 18% of the respondent are under the processes of certification as soon as possible.

4.1.15 Major problems faced by coffee farmers:

1. Disease, irrigation and transportation is Main obstacle of coffee farmers in study area. White and red steam borer is the main causes to low productivity.
2. Lack of irrigation farmers are not getting full productivity, Most of the farmers depends on monsoon rain fed.
3. Nepalese farmers needs technical support and training for professional farming skill.
4. New technology and training are essential to provide in wet pulping and internal control system to produce organic coffee, based on IFOAM.
5. To maintain quality control, iron pulper machine for wet pulping is necessary to support one each farmers group.
6. Soft loan system should be provided by government in reasonable interest rate and facilities to pay back period at least after 6 year as incentive on commercial farming

7. Agricultural pocket development and small farmer oriented irrigation will be necessary to extended.
8. The concept of agricultural forestry is to be provided proper use of marginal land for coffee cultivation which is fruitful to the farmers not to replace paddy field with coffee plants for commercial production.

4.2 Factory Owner's Response

4.2.1 Purchasing:

Among four processor only one processor produce 10% of coffee in their own garden for processing but huge quantity buy from local farmers and from across district. Two processors purchase directly from the farmer as fresh cherry at Rs. 35 per kg, dry cheery at Rs.80 per kg or parchment at Rs. 170 per kg. In average, price may vary from place to place due to grading of coffee and carrying cost. Recently, one processor buys raw coffee from middle man/local traders as well as from purchase across district only in the foam of dry cherry and parchment. As a result these three processors don't produce coffee in their own garden, but one of the processors have initiated to farm coffee in his garden.

(Source: Field Survey)

4.2.2 Current Coffee market Situation:

The factory owners were asked questions regarding current coffee market situation with the indicator of (a). Excellent (b). Good (c). Satisfactory (d). Bad. All factory owners indicated on satisfactory so 100 percent of them are satisfied with current coffee market situation. Which is increasing day by day in domestic as well as international market which Demand is more than production.

(Source: Field Survey)

4.2.3 Type of Coffee Market:

Table 4.11 Type of Coffee Market

S.N.	Particulars	Respondent	Percentage
1	Local Market	2	50
2	Across country	0	0
3	Overseas	0	0
4	All of the Above	2	50
Total		4	100

(Source: Field Survey)

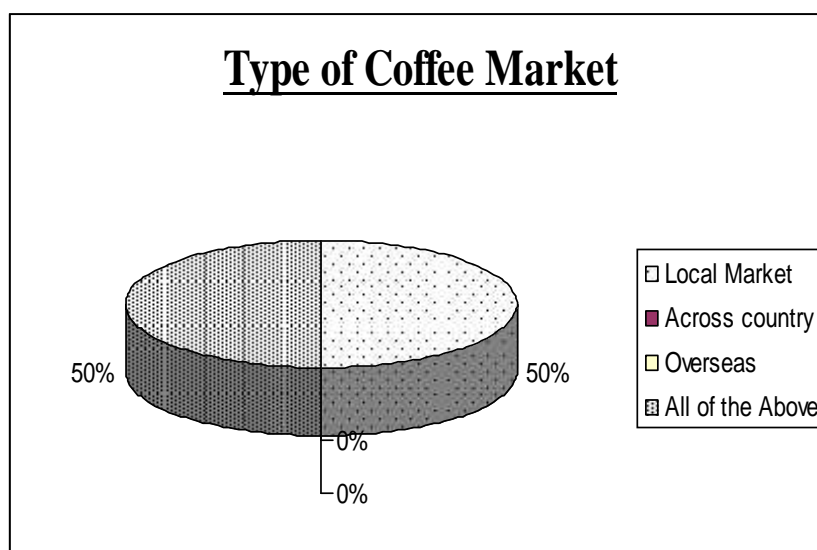


Chart 4.11 Type of Coffee Markets

50% of the processors sales their product in domestic market only. Domestic market hold super markets, some restaurants, hotels and coffee shops of urban area. But remaining 50% of them sales their product all of the above i.e. to 10% in local market, across country and 90% in overseas which Japan, Korea, Germany, America and other European countries.

4.2.4 Promotional Tools for international market:

Table 4.12 Promotional Tools for international Market

S. No	Particular	Respondent	Percentage
1	Trade Fair	1	25
2	Tourist Focused programs packages	2	50
3	E-Marketing	1	25
4	Direct selling	0	0
Total		4	100

(Source: Field Survey)

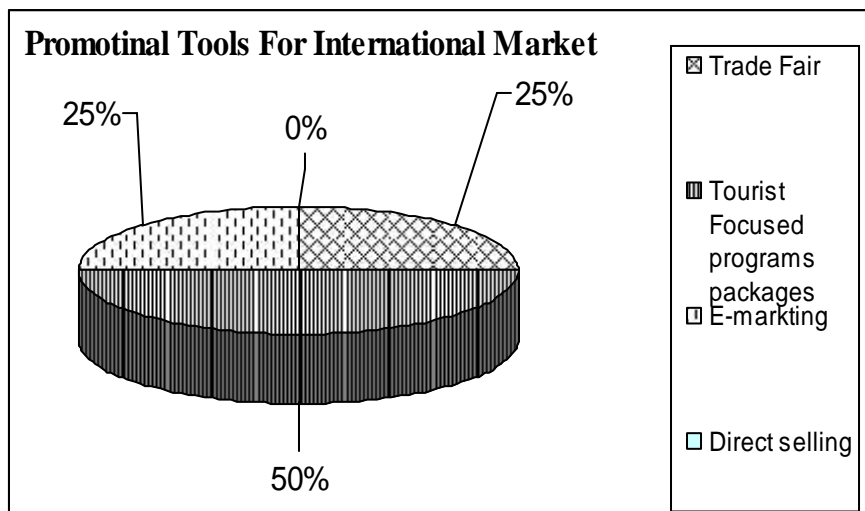


Chart 4.12 Promotional Tools for international market

50% of respondent select for tourist focused programs as the best tools to enhance market in international level. Other 25% of them said E-marketing is best promotional tools in recent context. Remaining 25% choose for trade fair in international market none of them choose for direct selling due to prior technique for competitive market.

4.2.5 Promotional Tools for domestic market:

All the respondent were asked to choose best promotional tools to increase domestic market with these four option (a) Trade Fair (b) E-Marketing (c) advertising in local media (d) Brewing demonstration. But 100% of them suggest that all of the above tools are essential for current local market.

4.2.6 Marketing Activities to Increase future market:

Table 4.13 Marketing Activities to Increase future market

S.No	particular	Respondent	Present age
1	Marketing Activities (Marketing research)	2	50
2	Search Marketing overseas	0	0
3	Quality, Branding/labeling	2	50
4	Competitive strategies	0	0
Total		4	100

(Source: Field Survey)

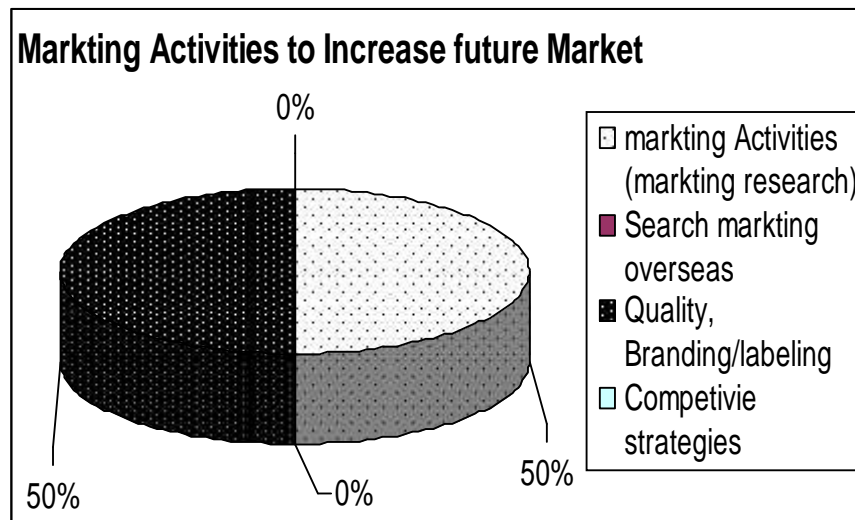


Chart 4.13 Marketing Activities to Increase future market

50% of the respondent suggests marketing activities/ marketing research should find strength, weakness, threats and opportunities in the future market. Rest 50% of them advised to labeling and branding is necessity to make own image in competitive market. None of them choose for search market in overseas and competitive strategy in resent context.

4.2.7 Production of Green Beans (MT):

Table 4.14 Production of Green Beans (MT)

Year	DCF/G	AOAU
2056	9	0
2057	10	0
2058	11	0
2059	11	0
2060	13	5
2061	15	5
2062	17	5
2063	21	6
2064	24	6
2065	28	6

(Source: Field Survey)

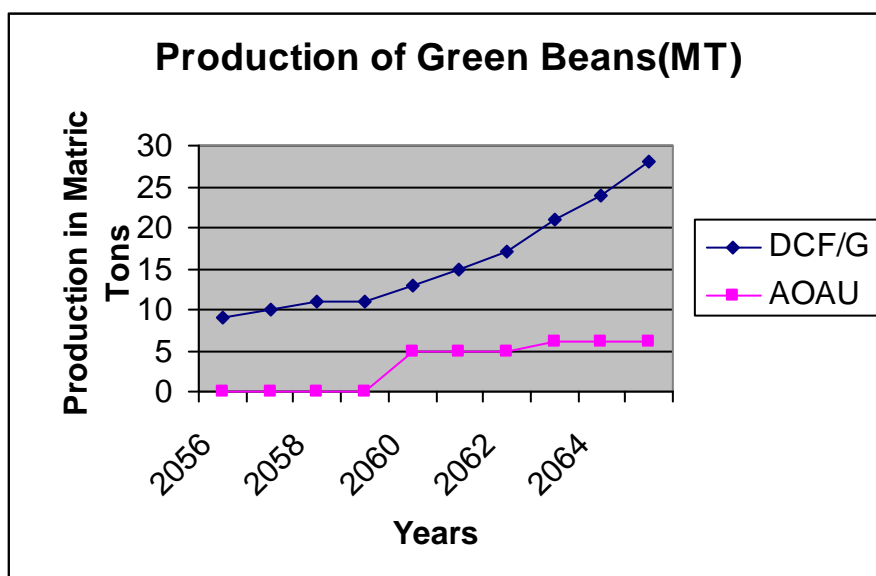


Figure 4.14 Production of Sales of Green Beans (MT)

Green beans is processed through Fresh cherry, dry cherry, parchment with following Conversion factor:

100 k.g. Fresh cherry = 18.50 k.g. Green beans

100 k.g. dry chery = 49.34 k.g. Green beans

100 k.g. parchent = 80.44 k.g. Green beans

Above table present total sales of green beans from the both processors from Gulmi district(DCF/G) and Arghakachi district(AOAU). Data of DCF/G presents in the period of ten years, but AOAU's present data of only six year's sales quantities due to establishment on 2060B.S. Green beans is mainly exported to Japan, Korea and other European countries. Amount of only average of 10% is sales in local market which is differ in different year. So this two processors export their 90% of production in overseas. Scales data of DCF/G is increasing in every year but AOAU is constant for previous three years and slit increment of one metric ton for next three years. So this diagrams represent that sales of both processors is increasing day by day.

4.2.8 Sales of Green Bean (Rs):

Table 4.15 Sales of Green Beans (Rs)

YEAR	DCF/G (Rs'000)	AOAU (Rs'000)
2056	2,475	0
2057	2,750	0
2058	3,575	0
2059	3,575	0
2060	4,225	1,375
2061	4,875	1,375
2062	5,950	1,500
2063	7,350	1,800
2064	8,400	1,800
2065	9,800	1,950

(Source: Field Survey)

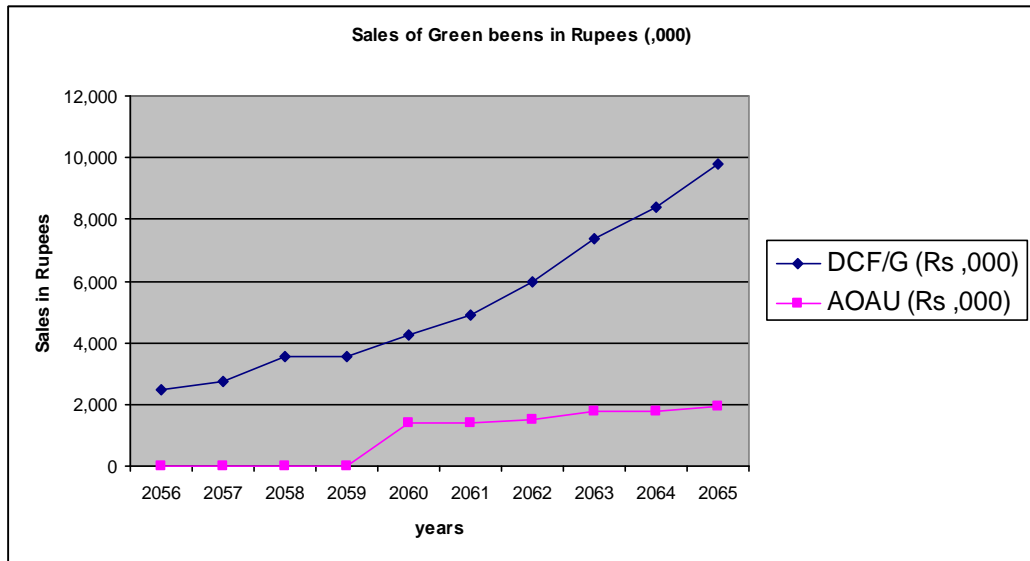


Figure 4.15 Sales of Green Bean in N Rs.

Above table represent the value of green beans in Nepalese Rupees with the (figure of '000). Due to constant selling price and sales quantity for some years trend line presents slow raise line of AOUA but sales and production of DCF/G is encouragingly increasing. Total sales of both processors Which present worth of Rs. 1,17,50,000 for 2065/2066 B.S., They sales their total production with in a year. According to the respondent the demand of Nepalese coffee in the international niche market is higher than the present supply.

4.2.9 Production of Ground/Roasted coffee (MT):

Table 4.16 Production of Ground/Roasted coffee (MT)

Year	NECCO	NOCP
2056	9	4
2057	9	5
2058	10	5
2059	11	6
2060	12	6
2061	9	6
2062	10	7
2063	11	7
2064	12	8
2065	11	8

(Source: Field Survey)

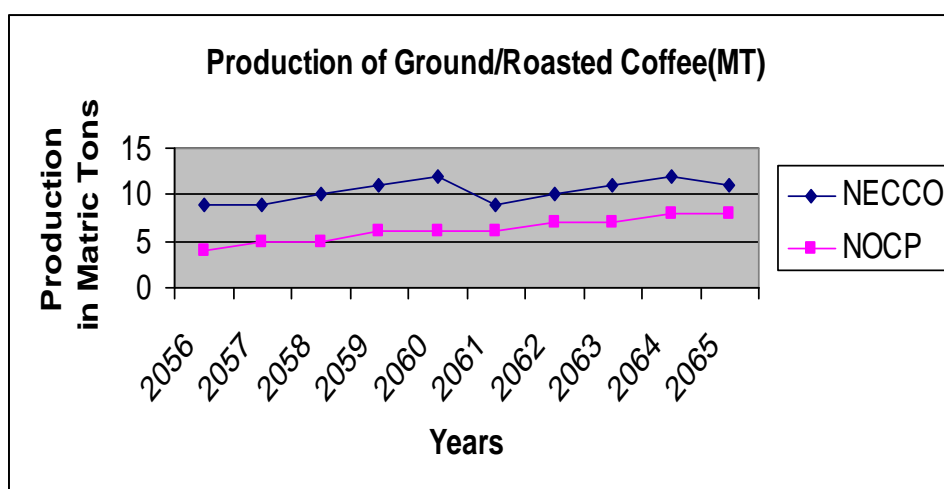


Figure 4.16 Production of Ground/Roasted coffee (MT)

On the above table presents yearly production of ground /Roasted coffee of both processors NECCO of Rupandehi district and NOCP of Palpa district figure in metric tons. Production of both processors are increasing day by day except in 2061& 2065 decrease production of NECCO. Both processors sales their production in domestic market only in the form of ground and roasted beans with various taste and blends.

4.2.10 Sales of Ground/Roasted coffee(Rs):

Table 4.17 Sales of Ground/Roasted coffee (Rs)

YEAR	NECCO (Rs.'000)	NOCP (Rs.'000)
2056	3150	1400
2057	3150	1750
2058	3500	1750
2059	4125	2400
2060	4500	2400
2061	3375	2400
2062	4000	3150
2063	4950	3150
2064	6000	4000
2065	5500	4000

(Source: Field Survey)

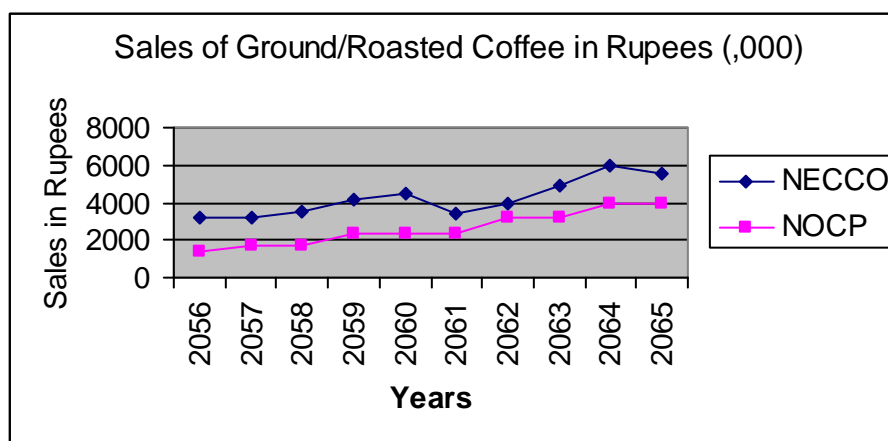


Figure 4.17 Sales of Ground/Roasted coffee(Rs)

Above table present total yearly sales of both processors NECCO of Rupandehi district and NOCP of Palpa district Figure in Nepalese Rupees. Both processors sales in Domestic market which contains super markets, some restaurants, hotels and coffee shops of urban area. According to figure, sales of NOCP is increasing efficiently year to year. But production and sales of NECCO is decreasing in the year

2061/2065 due to less collection of raw coffee. According to respondent their sales pattern is total sales of total production with in the same year.

4.2.11 Packaging:

In study area green beans are packaged in pre printed jute bags of standard size of 60k.g. for export. Roasted coffee and ground coffee are packed in aluminum laminates, plastic bags or plastic jars. In retail markets, roasted beans are sold in 500gm and 1k.g. packs where as ground coffee of 50, 100, 250,and 500 gm. For institutional buyers like hotels restaurants and offices, special packs of 25 k.g. (roasted beans) are also available. NOCP of Palpa applies unique packaging of “Dhaka bags” for 50gm. Ground coffee.

4.2.12 Techniques applied to control quality

-) All the coffee is purchased from organic coffee farmers.
-) Before processing coffee are drying, sorting, grading.
-) All the equipments are clean before and after use.
-) Roasting and packaging are conducted by well train man power.
-) Unprocessed coffee as well as processed coffee is stored in dry and cool place.
-) Concentration to collect organically grown beans so efforts to provide training support to farmers.
-) Coffee roaster place great importance on the taste of their blends so, percent base mixing on processing for taste maintain climatically difference.
-) Inspire farmers on wet pulping for good quality parchment and coffee.

Source: Field Survey

4.2.13 Expectation from government:

-) Good coffee policy & strategic programs should be implemented.
-) Consumer awareness program and marketing activities should be done for promotion in domestic and international level.
-) Soft loan facilities should be provided with repayment started after five year.
-) Institutional support for quality control in internal control system should be conducted.
-) Nepalese organic coffee need it's own logo for identity in competitive market.

-) Government should conduct research related work on pocket area for specialty coffee production and search market in international level.

4.2.14 Major problem faced by processor & exporter:

-) Lack of awareness to coffee farmers related to grading, so un-standardized production practices leading to wide variation in the quality and yield of fresh cherry level in small scale.
-) Lack of unity and common understanding among the farmers for production and marketing of coffee.
-) High transportation costs for collection of dry cherry and parchment from scattered farmers or farmers group.
-) Unfair competition among the processor for collection of dry parchment.
-) Lack of regular electricity supply.
-) Lack of trained manpower for coffee processing especially coffee roasting and brewing.
-) Repairing facilities for processing equipment is not available in local market.
-) No quality testing lab, fumigation airtight container.
-) Lack of brand identity and promotion of Nepalese coffee in the domestic and international market.
-) Lack of user's friendly technology/equipment of coffee brewing for household consumption and awareness of Nepalese coffee to potential consumers in domestic market.

Source: Field Survey

4.3 Major Findings

(I) Present phenomena of coffee cultivation:

1. Duration of coffee Cultivation and Profession:

During the survey 85% of respondent were found totally engaged in Agricultural Profession and remaining 15% are engaged in other profession besides Agriculture like teaching, business, private as well as government services. This indicate that other professionals and specially educated personals are also attracted toward coffee cultivation. As a findings most of the 55% farmers were attracted toward coffee

cultivation as cash crop since decades and 45% are engaged in coffee farming for five years so, newly inspired farmers are increasing day by day.

2. Total Land Holding & Coffee Cultivated Area:

Among 110 respondents are divided in 4 group according to the total average land holding of the four groups which is total of 90 ropanies where 37 ropanies (41%) are only coffee cultivated land by the respondent. 56 respondent have 5% (2 ropanies) coffee cultivated land is occupied of total land, 32 respondent have 14% (5 ropanies), 14 respondent have 27% (10 ropanies) and rest only 4 respondent have 54% (20 ropanies) of total coffee cultivated land. So this survey present that most of the farmers cultivated coffee in two, five and ten ropanies of land respectively, where only 4 respondent cultivated coffee as commercial way in twenty ropanies.

3. Land used for Coffee Cultivation:

83% of respondent are using food crop harvesting land (Maize, Wheat, and Millet) for coffee plantation. only 7% of respondent used marginal fallow land for coffee farming, Rest of the 5% of them used waste land (slope land) where food crops didn't grow. Rests of the 5% were other types of land which was floods destroyed unfertile land for cultivated. This result shows most of the coffee farmers of Lumbini zone were attracted to cultivate coffee in fertile and crop growing land for coffee cultivation instead of using forest for farming.

4. Type of Land prefer for coffee cultivation:

69% of coffee farmers prefer to cultivate coffee in their own private land. 16% of others like public forest for cultivation because coffee is forest suitable plant with the support of HMG of Nepal. Other 15% of the respondent choose private as well as public forest (both above) for coffee cultivation due to their limited private land and new context of utilization of public forest. None of them were interested lease/rent lands for coffee cultivation due to complexity in long term. Thus some new farmers are encouraged to cultivate coffee in public forest to cultivation commercially.

5. Fertilizer use:

All of them are using organic fertilizer due to organic certification. They even use home made pesticides to control pest with the mixture of Neem, cattle urine, Garlic paste etc for quality control.

6. Organic certification:

In study area 82% of the respondent were organic certified under internal control system in IFOAM technique. Remaining 18% of the respondent are under the processes of certification as soon as possible.

7. Labor Used

Coffee production is the Labor incentive industry where some of the coffee growing countries are suffering due to Labor problems. In study area 86% of the respondent used their family members for coffee farming and only 14% of them used seasonable local village member for farming and harvesting help. None of them used other type of Labor and Labor from other village. Recently there is enough Labor available in local market.

8. Satisfy with coffee policy:

41% of respond are satisfied with current coffee policy but 23% of them are unsatisfied with current policy open their point of view formulated policies are not implemented properly and some of the policy are not suitable for their coffee growing area. 36% of the farmers are unknown about HMG's coffee policy.

9. Support from NGO & INGO's:

Some NGO & INGO's are mainly playing supportive role for the farmers in study area to farm level to market level are playing supportive role to change condition with regular maintenance of coffee orchard by training, pruning, wet pulping and cultural operation which are NTCDB, DCF/G , COPP(Helvatus), Winrock, DCPA, DADO etc.

(IV) Assess the existing coffee marketing system

A. Farmers responses:

10. Medium for Selling Coffee

According to survey 60% of respondent are selling their production to mediator/collector (DCPA and DCF/G) and 25% of them directly selling their coffee to processor. Remaining 15% of the respond sales their coffee to local collector but none of them directly sales their coffee to exporter. They don't have any difficulty to sales their production.

11. Recent Selling Price:

36% of the respondents are satisfied with current selling price. They explained that coffee is three times more profitable than crop production. But 29% of them are unsatisfied with current selling price due to unmatchable price between farmers and processors /exporters. So, their minimum expectation is of Rs.20/ increment on fresh, dry, and parchment. Rest of them 35% indicated for none of the above because they found that current selling price is reasonable for them.

12. Promotional Tool for Domestic Market:

To uplift domestic coffee market respondent were asked to choose best promotional tools for local advertisement. 49% of them indicate for trade fair in local level. 23% of them communication media is the best tool because local F.M., T.V etc are the suitable media. 18% of the respondents indicate Brewing technique demonstration is the best tools. Only 7% of them indicate on E-marketing is the best in scientific age. Remaining 5% of them chosen direct selling are the best tool was they can meet consumer directly.

Thus in Nepalese context highest number of respondent explained trade fair is the best because direct selling, push selling, brewing demonstration, distribution of Pham plates can be distributed as advertising during trade fair.

13. Promotional Tools for International Market:

64% of the respondent indicates E-marketing is the best tools for the promotion of Nepalese specialty coffee in international level. 24% of the respondent found communication media (advertisement on T.V./Radio etc) are accessible between consumers. Lastly only 12% of them chose trade fair in international level also play vital role for promotion.

14. Benefit of branding:

60% of the respondent found that all of the above benefit of branding can be ripe by establishment of our own brand name of Nepalese coffee in competitive market. 20% of the respondent found with proper brand name, market can be easy to get. Other 11% of them choose for sales on fixed price. Lastly only 9% of them choose branding can be benefited to get loyal customer for their product.

(b) Processors and Exporters Responses

15. Purchasing:

Among four processor only one processor produce 10% of coffee in their own garden for processing but huge quantity buy from local farmers and from across district. Two processors purchase directly from the farmer as fresh cherry at Rs. 35 per kg, dry cheery at Rs.80 per kg or parchment at Rs. 170 per kg. In average, price may vary from place to place due to grading of coffee and carrying cost. Recently, one processor buys raw coffee from middle man/local traders as well as from purchase across district only in the foam of dry cherry and parchment. As a result these three processors don't produce coffee in their own garden, but one of the processors have initiated to farm coffee in his garden.

16. Current Coffee market Situation:

The factory owners were asked questions regarding current coffee market situation. All factory owners indicated for satisfactory so 100% of them are satisfied with current coffee market situation. which is increasing day by day in domestic as well as international market which Demand is more than production.

17. Type of Coffee Market:

50% of the processors sales their product in domestic market only. Domestic market hold supper markets, some restaurants, hotels and coffee shops of urban area. but remaining 50% of them sales their product all of the above i.e. to 10% in local market, across country and 90% in overseas which Japan, Korea, Germany, America and other European countries.

18. Promotional Tools for international market:

Among processors and exporters, 50% of respondent select for tourist focused programs as the best tools to enhance market in international level. Other 25% of them said E-marketing is best promotional tools in recent context. Remaining 25% choose for trade fair in international market none of them choose for direct selling due to prior technique for competitive market.

19. Promotional Tools for domestic market:

All the respondent were asked to choose best promotional tools to increase domestic market with four option but 100% of them suggest that Trade Fair, E-Marketing, advertising in local media, Brewing demonstration. all the tools are essential for current local market for promotion of specialty coffee.

20. Marketing Activities to Increase future market:

50% of the respondent suggests marketing activities/ marketing research should find strength, weakness, threats and opportunities in the future market. Rest 50% of them advised to labeling and branding is necessity to make own image in competitive market. None of them choose for search market in overseas and competitive strategy in resent context.

21. Packaging:

In study area green beans are packaged in pre printed jute bags of standard size of 60k.g. for export. Roasted coffee and ground coffee are packed in aluminum laminates, plastic bags or plastic jars. In retail markets, roasted beans are sold in 500gm and 1k.g. packs where as ground coffee of 50, 100, 250, and 500gm. For institutional buyers like hotels restaurants and offices, special packs of 25 k.g.

(roasted beans) are also available. NOCP of Palpa applies unique packaging of “Dhaka bags” for 50gm. Ground coffee as new concept in packaging.

22. Techniques applied to control quality:

-) All the coffee is purchased from organic coffee farmers.
-) Before processing coffee are drying, sorting, grading.
-) All the equipments are clean before and after use.
-) Roasting and packaging are conducted by well train man power.
-) Unprocessed coffee as well as processed coffee is stored in dry and cool place.
-) Concentration to collect organically grown beans so efforts to provide training support to farmers.
-) Coffee roaster place great importance on the taste of their blends so, percent base mixing on processing for taste maintain climatically difference.
-) Inspire farmers on wet pulping for good quality parchment of coffee.

(III)The coffee production and sales in Lumbini zone

23. Production and sales trend

In Lumbini zone altogether there are six coffee processors but the sample Population of this study cover only four identified coffee processor from above total population. One processors is from Rupandehi district(NECCO) and one each from Gulmi, Palpa and Arghakhachi district (DCF/G, NOCP AND AOAU) respectively. Trend of Production and Sales Rs are presented in two groups due to way of production type.

First group DCF/G and AOAU produce green beans to export more than 90% of the production to Japan, Korea and other European countries. The trend line present increasing production line 28 MT for2065/2066. and sales Rs. 98,00,000 of DCF/G and findings of AOAU trend line present constant production and sales for three years and increase for next year and again constant for three years but sale Rs 19,50,000 is increasing due to increased selling price and production of 2065/66 is 6 MT.

Second group NECCO and NOCP produce roasted and ground coffee for domestic market only production and sales trend of NOCP is increasing continuously with total production of 8 MT and Rs.40,00,000 for 2065/2066. NECCO production trend

indicate mixed result increase as well as constant in some year but decrease in the year 2061 due to unavailability of raw materials. For 2065/2066 production 11 MT. and sales of Rs.55,00,000. Domestic market consist Tourists Supermarkets, some restaurants, Hotels and coffee shops of main cities of Nepal. As a whole total production and sales of all the processors are increasing day by day progressively.

(IV)Problems faced by coffee farmers and processors

24. Major problems faced by coffee farmers:

1. Disease, irrigation and transportation is Main obstacle of coffee farmers in study area. White and red steam borer is the main causes to low productivity.
2. Lack of irrigation farmers are not getting full productivity, Most of the farmers depends on monsoon rain fed.
3. Nepalese farmers needs technical support and training for professional farming skill.
4. New technology and training are essential to provide in wet pulping and internal control system to produce organic coffee, based on IFOAM.
5. To maintain quality control, iron pulper machine for wet pulping is necessary to support one each farmers group.
6. soft loan system should be provided by government in reasonable interest rate and facilities to pay back period at least after 6 year as incentive on commercial farming
7. Agricultural pocket development and small farmer oriented irrigation will be necessary to extended.
8. The concept of agricultural forestry is to be provided proper use of marginal land for coffee cultivation which is fruitful to the farmers not to replace paddy field with coffee plants for commercial production.

25. Major problem faced by processor & exporter:

1. Lack of awareness to coffee farmers related to grading, so un-standardized production practices leading to wide variation in the quality and yield of fresh cherry level in small scale.

2. Lack of unity and common understanding among the farmers for production and marketing of coffee.
3. High transportation costs for collection of dry cherry and parchment from scattered farmers or farmers group.
4. Unfair competition among the processor for collection of dry parchment.
5. Lack of regular electricity supply.
6. Lack of trained manpower for coffee processing especially coffee roasting and brewing.
7. Repairing facilities for processing equipment is not available in local market.
8. No quality testing lab, fumigation airtight container.
9. Lack of brand identity and promotion of Nepalese coffee in the domestic and international market.
10. Lack of user's friendly technology/equipment of coffee brewing for household consumption and awareness of Nepalese coffee to potential consumers in domestic market.

CHAPTER-V

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary:

Nepal is the beautiful country with Himalayas and many natural endowment. Mid hill and western hilly region is the most feasible and favorable climatic condition for the coffee cultivation in Nepal. This study is conducted from three western hill district Gulmi, Palpa, Arghakuchi for farm level and including Rupandehi for processors level of Lumbini Zone. Sample size of 110 coffee farmers and four coffee processors were selected for the survey. This study is historical and descriptive in nature.

The study is focused to find out the present phenomena in coffee cultivation, to assess the existing coffee marketing system, to analyze the coffee production and sales trend and problems faced by coffee farmers and processors. This study is based on Primary data collection from Gulmi, Palpa, Arghakuchi and Rupandehi were surveyed by using random and judgmental sampling of village farmers and processors with questionnaires method and information from discussions with officers of NGO & INGO. After the data collection and analysis, following findings come in light.

Only few farmers have applied coffee as major part of their household economy but most of them are engaged in too small scale of farming in two, five, and ten ropanies of land. They are cultivating coffee in crops grown land and slope land for cultivation instead of public forest to cultivate in commercial way. But newly inspired farmers optimism to cultivate coffee in both own land and public forest in commercial way. Pests and diseases are among the main factors that negatively affect coffee quantity and quality which worse damaged cherries and whole plant. So, to control red stem and white stem borer insect, Coffee growers spray home made pesticides which contains mixture of Neem, Patti, Cattle Urine etc. They do not use chemical Fertilizer and Insecticide due to organic certification, IFOAM technique with internal control system. Home farmers are using organic fertilizer due to certification and “Green Revolution”. 82% respondent had received organic certification but 18% of them are under the certification as soon as possible. Coffee production being a labor incentive

industry coffee growers aren't facing labor problems yet. There are many NGO & INGO's are playing supportive role to change condition with regular maintenance of coffee orchard by training, pruning, wet pulping and cultural operation etc.

There are no any complexity to sell coffee from farm level there are collector from DCPA, DCF/G and other mediator collector comes to collect for processing. With the reasonable selling price, most of the farmers are satisfied but 29% of respondent expect for Rs.20 increment in unprocessed coffee. According to respondent, to develop domestic coffee market needs trade fair, communication media (F.M.,T.V.) for best advertising media as well as brewing demonstration and E-marketing are best promotional tools. And in international market 64% of respondent suggest for E-marketing, 24% communication media and 12% for trade fair in international level plays vital role for promotion. Nepalese coffee need own brand name (Logo) for own identity in international level to get loyal customer. 23% of them are unsatisfied with current policy according to them formulated policies are not implemented properly for their coffee growing area and 36% of the farmers are unknown about HMG's coffee policy.

According to processors/exporter 100% of them suggest for trade fair, E-marketing advertising in local media so as brewing demonstration are essential promotional tools for resent domestic coffee market. 50% of them also advised for tourist focused programs, 25% of them for E-marketing and reaming 25% of them for trade fair in international level. To increase future market 50% of the processors select for marketing research activities and 50% advised for Nepalese own brand name (logo) is necessary for recent context in international level.

According to processor's production and sales trend lines of green beans for export is increasing considerably which is exported to Japan, Korea and other European country. Demand is more than production. Domestic market of roasted /ground coffee is increasing day by day. Production and sales trend also encouraging, domestic market depends upon no. of tourist coming for the year in the country and super markets, hotels, restaurants as well as coffee shops in main cities of the country. Adorable Packaging attract customers towards product so NOCP of Palpa applies

unique packaging of “Dhaka bags” for 50gm. Ground coffee. So other processors also require to apply as a new concept in packaging.

However the major problems faced by coffee producers from three district mostly the same. The farmers have the major problems of irrigation, attack of disease (white stem borers and red stem borers) lack of infrastructural development (irrigation, roads, electricity, communication) and unscientific technique of cultivation. The processors have the major problems on high transportation cost on collecting and exporting coffee, lack of trained manpower for coffee processing specially coffee roasting and brewing, unavailable of maintenance of skilled manpower in local market, maintain organic certification, lack of tasting lab etc. They are expected to formulate applicable suitable marketing strategy and policy by government of Nepal with effort on promotional activities to increase domestic market to uplift coffee sector.

Coffee growers consider their living standard has increased over the past few years due to the coffee cultivation as a cash crop. Production and sales of Processors /Exporter are encouraging. They are satisfied with current coffee market in domestic and international level.

5.2 Conclusion:

Coffee is an important beverage of the world. Coffee drinking has become a regular habit of people in many countries and it has also being increasingly popular among Nepalese. But, coffee plantation is still a new adventure in Nepal, so environmentally coffee growing area is still not conducive for business orientation. Only few farmers have applied coffee as major part of their household economy but most of them are engaged in too small scale and remoteness of the growing area is not lucrative for Commercial way. The concept of agricultural forestry isn't raised for proper use of marginal land for coffee cultivation which is fruitful to the farmers not to replace paddy field with coffee plants. Technological package of coffee farming is not fully backed up with total quality management, productivity, service Input delivery, Financial support, Logistic, infrastructural development (Irrigation, Roads, electricity& communication etc), Processing and Marketing facilities.

In study area, most of the coffee is planted in non irrigated land, total capacity production can't be harvested so productivity rate is low due to poor production management practices. Major factor responsible for low production and productivity of Nepalese coffee are unscientific plantation, Lack of irrigation, poor management of disease, insect pests, shade and nutrient management is main obstacle in farm level. All of the coffee farmers are using organic fertilizer due to organic certification under Internal control system in IFOAM technique. Regular maintenance of coffee orchard by training, pruning, irrigation and cultural operation. should be applied to reach target objectives in farm level.

Main problems faced by processor and exporter are Repairing facilities for processing equipment which not available in local market, No quality testing lab, fumigation airtight container, High marketing costs in country's Transportation, Processing and Taxation reduces the share captured by farmers living in coffee producing regions far away from any export point, Nepal is the landlocked country which bound to receive a lower price than farmers close to a sea port. Processing costs mainly depend on the number of processing factories whether they are private or public and competitive with each other.

Increased demand of "Highlander" and "Organic" Nepalese coffee in international market, Production and sales of green beans is encouragingly increasing. Production is less than demand for international market. Nepalese green beans is exported to Japan, Korea, America, Germany and other European countries. coffee farmers are attracted toward coffee cultivation. Increment of area coverage of coffee production is an indication of good potentiality of coffee cultivation in study area. but adaptation of appropriate package of cultural practices to be considered for uplift this sector. International market led quality production system very important factor so, good support of appropriate technologies for organic production. To reach into niche market, These days international market is so competitive so qualitative product only can survive in long term. Government and None Government agencies must consider those evils factor seriously to promote coffee cultivation in Nepal while preparing plan and implementing the supportive programme. However, the speed of modernization and mechanization still found slow. However, some leading farmers

practiced to cultivate coffee with modern technique but some of the small farmers have not followed such due to the lack of skill and illiteracy they still followed demonstration farming. Some of the small farmers aren't trained and served by institutional supports frequently. However, co-ordination between NGO & INGO are playing extremely supportive role to change condition comparison to past.

Lack of organized marketing system and habit on instant coffee, Nepalese people are unaware about Highlander and organic specialty ground coffee. In 2060B.S. domestic consumption were 30% now up to 2066 increased to 35%, only 5% increment after 5years shows average growth rate of yearly consumption on domestic market. To promote Nepalese coffee in domestic market, consumer's awareness programs should be launch to uplift the domestic market. Nepal imports considerable amount of instant coffee from India and other overseas countries, which could be replaced by comparatively cheaper domestic products through efficient marketing promotional tools through trade fair, communication media(F.M.,T.V.) for best advertising as well as brewing demonstration and E-marketing are best promotional tools. Recent import and export trend of coffee indicates that increment on production is necessity. To provides additional income to the grower but also fulfills the country's demand internally and provide raw material to newly established processing company. Coffee cultivation has also multi dimensional positive effect on environment and job opportunities in rural sector. Nepalese coffee also has potentiality to compete international niche market if it is produced by organic cultivation system. So, future of Nepalese coffee is bright.

5.3 Recommendation:

5.3.1 Recommendation to the growers

-) Coffee grower must be unified to increase productivity and search beneficial market to get more profit.
-) The coffee grower can actively participate to promote coffee production through the training, talk program and demonstration farming.
-) Transportation and irrigation problems can be solved through the coffee grower's ignition.

-) The coffee growers must be trained on preparing with modern technology on organic manure, compost, soil management and control pest /insecticide properly.
-) Regular supervision of coffee farm should be managed to control pest and insect.
-) More farmers can cultivate coffee in commercial way rather than on small land holding.
-) Importance should be given on wet pulping for better qualitative parchment production.

5.3.2 Recommendation to Processors

-) Processors must acquire essential technical know how to improve the quality of processed coffee in competitive international market.
-) Processors should apply marketing activities through the information technology, email internet in nationally as well as internationally.
-) To increase domestic market the processors should conduct trade fair, trade exhibition, seminars, use of local media for advertisement, demonstration of coffee brewing technique for promotion of specialty ground coffee.
-) Processors should be unified in strong group to develop efficient information systems for reliable export.
-) Packaging of roasted coffee should be improved as unique Nepali packaging material in international market.
-) Processors/exporters need healthy competition and excellent co-ordination to competent in international market with national logo.

5.3.3 Recommendation to the Government and Others

-) Infrastructural development is essential in coffee growing area like, irrigation; villages must have motor able roads for easier transportation.
-) Modern technical training for better productivity, control diseases, and financial incentive at minimum interest rate loan for at least 6 years (up to harvesting period) must be provided.
-) Pests are considered as more fatal. Therefore, a yearly campaign for pests control should be organized.
-) N G O'S and I N G O'S should be inspired to focus their program in feasible area to improve coffee cultivation system and marketing activities.

-) Community forest based coffee cultivation system required to implement to majority of hills farmers for commercial farming
-) The price of cherry, green beans , parchment and ground coffee is varies due to quality so consistent pricing must be set to manage growers profit margin as comparison to processors /exporters profit margin.
-) National plans must be focused to raise the rural economy by providing priority on agricultural development.
-) Academic curriculum might be applied to generate skilled labor on coffee growing sector.
-) Proper aid must be given to install new, modern machineries and regular examination of factory should be provided.
-) Promotional campaign like trade fairs, e-marketing, seminar must be held to improve the coffee market at national and international levels.
-) Heavy tax must be levied on the import of instant coffee so that priority must be given on domestic consumption of specialty coffee.

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Annex-I

Research Questionnaire

Faculty of Management, Tribhuwan University

For Master in Business studies Second Year Program

Research Topic: Coffee Marketing Special Reference To Lumbini zone Nepal

Name:

Address:

Total Land Holding in Ropanies:

Coffee cultivated land in Ropanies:

Profession (any other than farming):

Please Tick and Fill In The Blanks

1. How long have you engaged in coffee cultivation?

- a. Less than 5 years [] b. 5-10 years c. More than 10 years

2. What type of land have you used for Coffee Cultivation?

- a. Maize, Millet, Wheat [] b. Marginal Land []
c. Waste Land [] d. others []

3. Type of Land prefer for coffee cultivation?

- a. Private land [] b. Public forest []
c. Both above [] c. Lease/ Rent []

4. What type of Fertilizer use Organic or Inorganic?

5. Have you received Organic certification?

6. What kind of Labor Used?

- a. Family member [] b. Local village labor []
c. Labor from other village [] d. Others []

7. Are you satisfy with current coffee policy ?

- a. Yes [] b. No [] c. Don't know []

8. What kind of organizations (NGO & INGO's) Support in which sector?
9. What medium for Selling Coffee?
- a. Collector b. Processors
c. Exporter d. Mediator/collector
10. Are you satisfy with Recent Selling Price?
- a. Yes b. No c. None of these
11. What is the best Promotional Tools to improve domestic market?
- a. Trade Fair b. Direct selling d. Communication media
e. Brewing c. E-Marketing
12. What is the best Promotional Tools for international market ?
- a. Trade Fair b. Direct selling d. Communication media
e. Brewing c. E-Marketing
13. What are the Benefit of branding ?
- a. Sales on fixed price b. Get easy market
c. Get brand loyal customer d. All of the above
14. Major problems faced by coffee farmers?
15. If any suggestion?

Thank you

Annex-II

Research Questionnaire

Faculty of Management, Tribhuvan University

For Master in Business studies Second Year Program

Research Topic: Coffee Marketing Special Reference To Lumbini zone Nepal

Name of the Processor & Exporters Company:

Owners Name:

Address:

Date of Establishment:

Please Tick and Fill In The Blanks

1. Where do you Purchase coffee beans?

- a. Produced in own garden [] b. from middle man/local trader []
c. Purchase across district [] d. Directly from farmers []

2. What is the Current Coffee market Situation in Nepal ?

- a. Excellent [] b. good [] c. Satisfactory [] d. Bad []

3. What is your current Market ?

- a. Local market [] b. across the country []
c. Overseas [] c. all of the above []

4. What is the best Promotional Tools to improve domestic market?

- a. Trade Fair [] b. E-Marketing []
c. Advertising in local media [] d. Brewing demonstration []

5. What is the best Promotional Tools for international market ?

- a. Trade Fair [] b. Tourist Focused programs packages []
c. E-Marketing [] d. Direct selling []

6. Marketing Activities to Increase future market

- a. Marketing Activities/Marketing research [] b. Search Marketing overseas []
c. Quality, Branding/labeling [] c. Competitive strategy []

7. What kind of Packaging applied ?

8. What techniques are applied to control quality?

9. What is your total Production and sales(Rs.) during the past 10 Years.

Year	Production(k.g.)	Sales(k.g.)	Sales (Rs)
2056			
2057			
2058			
2059			
2060			
2061			
2062			
2063			
2064			
2065			

10. Should Nepalese coffee have its own brand name?

11. Are you satisfied with current coffee policy?

- a. Yes [] b. No []

12 What are the Expectation from government to improve coffee sector?

13. What are the major problem faced by coffee processor & exporter?

14. If any suggestion ?

Thank you!

BIO - DATA

Personal Information

Name : **Yam Kumari Thapa Magar**
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Experience

1. As a Resource person in Aids Task force in Nepal Red Cross Society, Kathmandu.
2. As a front office staff in Lumbini Hokke Hotel, Lumbini sacred garden Rupendehi
3. Working as Accountant in Uttam Suppliers, Bhairahawa

Training

1. Reproductive Health and HIV/ AIDS Task Force, In Semarang, Indonesia organized by Asian Red Cross And Red Crescent Aids Task Force (ART)
2. Basic Computer, Basic Accounting (Tally)