

Strengthening Vegetable Markets for Smallholder Farmers in Nepal
Turning Harvests into Income

A POLICY BRIEF

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CONNECTING GAPS IN STRENGTHENING VEGETABLE MARKET LINKAGES FOR SMALLHOLDER FARMERS

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Executive Summary

Agriculture continues to remain the backbone of Nepal's economy and the largest source of employment, yet farmers are directly affected by persistent market inefficiencies and weak policy implementation. Farmers face daily challenges of price fluctuations, inadequate infrastructure, and competition from imports. This brief argues that Nepal must gradually shift from production-focused solutions toward strengthening market linkages. The proposed interventions include establishing government mandis, promoting local value addition, and piloting market assurance mechanisms. Supporting such farmer-led initiatives is essential for increasing profitability, ensuring income security, and reducing dependence on imported vegetables.

Background

Agriculture contributes 23.95% to Nepal's GDP and provides employment to 57.3% of the population (AITC, 2081). Although the agriculture sector has been prioritized since the Sixth Plan, major gaps persist in marketing, distribution, and linkages. Nepal imported vegetables worth Rs. 38.50 billion in 2021 (CBS, 2021), signaling a mismatch between domestic production potential and market integration. Vegetables remain among the most commercialized commodities (30 - 50%), with strong returns (Ghimire et al., 2023). However, marketing challenges- such as low farm-gate prices, frequent price swings, high transportation costs, competition from Indian imports, and lack of storage-limit farmers' ability to benefit fully (Giri, 2022).

Given this context, it is important to explore how collective marketing, knowledge empowerment, and stronger policies can improve the vegetable value chain, enhance farmer incomes, and reduce import dependency.

Research Overview

This brief is informed by desk research and a qualitative study conducted in Bardiya. The study sheds light on farmers' understanding of market connectivity, the challenges they face in vegetable production, and how



FGD with farmers in Gulariya, Bardiya

everyday micromanagement practices shape agricultural outcomes. Findings show that while production knowledge exists, gaps are wide in market awareness, financial decision-making, and the systems needed to make vegetable farming profitable and sustainable.

Policy Gaps

Nepal's agricultural policies (such as the National Agriculture Policy, 2004; Agriculture Development Strategy; and Agribusiness Promotion Policy, 2006) are integrated and comprehensive, addressing a wide range of farmers' needs with a heavy focus on commercialization, competitiveness, and value addition that make farmers resilient. The biggest gap exists in enforcing them. A few of the important elements of farmers' demands and problems are not effectively implemented, which weakens the overall efficacy of the policies. Apart from this, unfamiliarity with such policies at the grassroots level deprives them of effective dissemination to agricultural communities, thus making them less effective and relevant on the ground. So, policy briefs highlight such critical aspects and challenges in the national context, where some challenges or gaps in the profitable market system are listed further.

1. Inadequate Market Infrastructure: Our policies centre around the development of roads (mainly in urban areas) and machinery subsidies, with less emphasis on investments required for rural farmers. This imbalance seriously affects vegetable productivity. The farmers don't know where to sell their produce since there is stiff competition from Indian imports. Moreover, the absence of collection points, cold storages, and vegetable mandis in rural areas keeps the farmers away from farming and eventually reduces productivity.

2. Weak Farmer Institutions: While farmers' organizations and cooperatives are well established in some places, in districts like Bardiya they lack capacity to serve farmers. They have limited financial and technical resources to allow them to organize farmers or re-orient farmers towards improved farming.

3. Budgeting gaps: The farm budget in the Red Book is addressed by the government with very high priority for increasing production and productivity and relatively low priority for increasing markets for farm products. The budgetary allocation remains lopsided, with 58% of the allocation going towards purchasing chemical fertilizers alone despite already having a policy on organic farming. Even with such a large share of the budget spent on chemical fertilizers, farmers still face shortages and, in places like Gulariya, have resorted to protests demanding timely access to fertilizers.

4. Coordination between Three Tiers of Government: Local governments rely on support from the provincial and federal levels, but due to a lack of coordination, such need-based support is most of the time lacking. For example, during the time I was studying in Bardiya, I found that a silage program for pigs was implemented there, despite the fact that the programs are more relevant in hilly areas than in the Terai region. This clearly shows that the provincial government lacked full information regarding the actual needs of farmers in the target areas of program implementation.

5. Gaps in micromanagement level in vegetable production: A significant gap exists in Nepal due to the lack of awareness among farmers regarding proper record-keeping of their farming activities, including costs, sales, and production. Without maintaining these records, farmers are unable to accurately calculate the cost of cultivation, leading to an underestimation of their profits and limiting their capacity for informed decision-making. Furthermore, despite the growing digital literacy across the country, many farmers, particularly in remote and underdeveloped areas, are not well-versed in online transactions, digital marketplaces, or modern farming technologies. This digital and informational deprivation exacerbates the disconnect between farmers and modern agricultural practices, leaving them disadvantaged in accessing national and international market opportunities.

Policy Recommendations

Integrating Academic Research into Farmer Field Practices: The Prime Minister Agriculture Modernization Project (PMAMP) is already providing sponsorship for several bachelor's students in the final thesis year, deploying them in PMAMP offices, Agriculture Knowledge Centres, and other organizations. This is an untapped vehicle to systematically interweave learning from classes with farmer-level practices. As part of the system, students must collaborate with PMAMP staff to conduct regular field monitoring, at least once in one season of cultivation of crops, to ensure constant follow-up with farmers. Monitoring reports should be made available and public in order to provide accountability and monitor impact.

Agri-Business Capacity Building for Sustainable Commercial Farming: This policy recommends integrating a comprehensive Agri-Business and Entrepreneurship training framework into PMAMP to move beyond mere production techniques. The core objective is to transform farmers into market-savvy "agripreneurs" by equipping them with essential skills in financial literacy, market analysis, and value chain integration (B2B/B2C models). delivered through practical, hands-on modules at Agriculture Knowledge Centers. Success will be measured by tangible outcomes like increased profitability and new market contracts, fundamentally shifting farming from a subsistence activity to a commercially viable and sustainable enterprise.

Strengthening Local Market Systems through Government-Operated ‘Mandis’: Government-Operated Mandis Despite high agricultural production in remote regions, the absence of organized vegetable mandis remains a critical gap, leading to significant post-harvest losses and market access challenges for farmers. To address this, we recommend establishing government-operated and transparent mandi systems in strategic rural municipalities. These facilities will provide dedicated market infrastructure, ensuring fair pricing and reducing exploitation by middlemen. By guaranteeing market certainty and streamlining sales, farmers will gain motivation to increase production and adopt more commercial practices. This intervention will strengthen local market systems, minimize losses, and enhance rural livelihoods, ensuring agricultural growth translates into tangible economic benefits for remote communities.

Promoting Local Value Addition for Agricultural Product: To mitigate post-harvest losses and increase farmer income, we recommend a national policy promoting local-level value addition of agricultural produce. This initiative will support farmers in processing perishable goods- like converting leafy greens into gundruk or sinki- to extend shelf life and enhance market value. The policy will facilitate direct market linkages between farmer producer groups and supermarkets, hotels, and restaurants through formal buy-back agreements. By incentivizing local value addition and strengthening supply chains, we can reduce import dependency, minimize wastage, and improve rural livelihoods. This approach will boost the national economy by supporting domestic production and creating premium market opportunities for traditional products.

Farmer-Centric Planning through Mandatory Needs Assessments: To ensure the efficacy and relevance of government programs, we recommend a mandatory participatory needs-assessment framework across all tiers of government. Before designing or funding any agricultural initiative, a comprehensive baseline study must be conducted directly with farmer communities to identify their specific constraints and priorities. This should include structured consultations with farmers' groups, cooperatives, and women farmers to ensure inclusive input. Programs must be co-designed based on these empirical findings rather than top-down assumptions. Budget allocation should be directly tied to the identified needs to ensure efficient and targeted use of resources. This farmer-centric approach will enhance program adoption, reduce wastage of funds, and increase the overall impact of public investments in agriculture.

Piloting a Market Assurance Scheme for Vegetable Farmers: To address market volatility and ensure income security for vegetable farmers, we recommend piloting a Market Assurance Scheme based on a Minimum Support Price (MSP) model. This initiative would begin by establishing an MSP for 2–3 strategically selected, high-volume vegetables such as potatoes, onions, and cauliflower. Farmer Producer Organizations (FPOs) would be leveraged to aggregate produce, verify quality, and serve as nodal agencies for implementation. In cases where market prices fall below the MSP, a Direct Benefit Transfer (DBT) system would be activated to directly compensate farmers through these FPOs. To further enhance resilience and reduce waste, the scheme will be integrated with local value-addition initiatives- such as processing lower-grade produce into chips, pickles, or dried goods- creating an alternative market outlet. This market-led approach minimizes the need for physical government procurement and storage, reduces fiscal burden, and provides predictable pricing, thereby stabilizing farmer incomes and encouraging consistent production.