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### Marketing of agro-products in Nepal

**Sanjay Kumar Sah**

Research Scholar-Management, Department of Commerce and Business Administration, L. N. Mithila University, Darbhanga, Bihar, India

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#### Abstract

Mixed economy system of Nepal has permitted to establish a number of agro-based industries in public as well as private sector. It is widely believed that the performance of most of the enterprises has been below the mark. Various factors might be responsible for such a situation. More importantly they are faced with most challenging and competing business environment which requires very efficient and effecting market strategies. A firm producing quality product cannot guarantee to achieve success in competitive and dynamic business environment. But it becomes possible when its marketing efforts are adequate. In modern dynamic age, marketing must be effective otherwise the organization cannot meet its goals and objectives. In this context, the present study has been undertaken to explore and analyse the prevailing market structure and marketing system of sugar & cigarette industries in Nepal.

**Keywords:** Agro-Products, Marketing, Mixed Economy, Nepal

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#### Introduction

Propelling growth in agriculture is critical as research has revealed that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture<sup>6</sup>. Agriculture need to be commercialised to make it profitable so that it can attract people. Technology and high revenue could make agriculture attractive to the younger generation. Presently, most of the farmers are doing subsistence farming which hardly earns them enough to meet the requirements of their family. There is need to convert farming from subsistence to commercial so that people thriving on it could have surplus money for a secured and decent life.

In a country where vast majority of the population is dependent on agriculture directly or indirectly, the development of agro based industries is of immense importance. Agriculture is gradually losing the attraction of a potential occupation with the rural youth due to lower profitability. If farming can be augmented with additional income generated from agri-based industries, it will help to retain the interest of the youth in farming. Such agri-based industries should be centred in the rural hubs so that rural youth is retained in the rural areas. We have to keep in mind that 80 percent of the population in Nepal depends on agriculture for their income and employment.

#### Potentialities of Agro-based Industries in Nepal

Nepal is an agricultural country having 66 percent people directly engaged in farming. Farming is subsistent in nature and crop is mostly integrated with livestock. It is one of the least developed countries with poor economic condition in the world. Nepal is a land locked country between two large countries India and China. The history of industry development in Nepal is not so long. The process of industrial development is started by Biratnagar Jute Mill and Industrial Council in 1936 AD. Nepal is predominantly an agricultural country. More than 86 percent of the population resides in rural areas and about 80 percent people are dependent on agriculture for their income and employment. Agriculture

sector contributes 36 percent GDP. The agricultural production and productivity, however, have not been satisfactory to give momentum to the pace of the development and, therefore a agriculture alone is insufficient for rapid development of the country. There must be a combination of agriculture with business. Particularly, agro-based industries are the best examples of such combination. It is obvious that industry can play important role in the rapid economic development of country. Development of industrial sector has manifold benefits. Particularly, it is important in mitigating the problems of growing unemployment and poverty. The contribution of manufacturing sector to GDP is estimated to be around 10 percent. Various institutional and legal provisions have been made to speed up the process of industrial development.

It is noteworthy here that Industrial Enterprises Act B.S. 2049 (first amendment 2054), section 3 has classified and scaled industries in seven categories. They are Manufacturing Industry, Agro and Forest Based Industry, Energy Based Industry, Tourism Industry, Mineral Industry, Service Industry and Construction Industry. Further, the act has defined "Agro and Forest Based Industry" as "Business mainly based on agriculture and forest such as integrated sericulture and silk production, horticulture and fruit processing, animal husbandry, poultry farming, fishery, tea gardening and processing, coffee farming and processing, herb culture and herb processing, vegetable seed farming, mushroom farming or vegetable processing, tissue culture, floriculture, agro-forestry, community and private forestry etc." The aforesaid Act has combined agro-based and forest and forest-based industries in one category. Moreover, the classification has been done for the purpose of industrial administration and providing facilities. For operational purpose, therefore, such kind of industries are considered agro-based industries whose basic and main raw materials come from agriculture sector and whose outputs are known as agro-based products.

The scope of development of agro-based industry is wide is wide in Nepal. The agro-based industries have greater potential for the

utilization of available productive resources. With the established of agro-based industries, labour force from farming, activities can be shifted to other activities for livelihood. To enhance production and productivity of agriculture and ensure high return from it, agriculture sector has to be commercialized and modernized. In the context, products yielding higher return have to be identified and production of cash crops, livestock products, fruits and vegetables have to be commercialized. Fruits of development can be delivered to poor people only when agriculture is commercialized, appropriate return on agro-products is fixed and agro-based industries are established based on appropriate technology.

It is gratifying to know that in 21<sup>st</sup> century, various agro-based industries have come into operation in Nepal. The more common agro-based industries are sugar, jute, cigarette, tea, cotton textile, flour, fine flour, rice, pulse, oil, dairy products, sauce, pickle, jam (jelly), juice and wine (made from fruits and cereals) etc. The setting up of agro-based industries in different regions is justified by the availability of raw material and labours, which are not yet utilized in productive activities (Pradhan, 1980). By strengthening the industrial sector pressure on land will be gradually reduced, which is the burning problem of the country. With the expansion of industrial sector, the volume of business will increase. Moreover, this sector will help to increase productivity in other sectors. All these activities will generate additional income to the rural people. Increased income helps to create increased demand and thus enhance the size of the market. It is, however, believed that the performance of industrial organization in general has not been satisfactory largely due to marketing inefficiencies.

It is evident that marketing has a critical role in the economic development of a nation. Therefore, the development of an efficient marketing system is essential for rapid industrialization. Marketing can accelerate the pace of industrialization in various ways. Without a marketing system, which facilitates mass distribution of goods and services, it is indeed very difficult to reach the stage of mass consumption which Rostow classified as the final stage of development (Rostow, 1961) <sup>[3]</sup>. Without mass consumption a developing country can never hope to achieve the high standard of living. High mass consumption acts as a powerful catalytic force for mass production. Further, mass consumption which encourage mass production ultimately leads to economics of scale in production, which can benefit consumers in the form of lower prices in the absence of efficient marketing system. The absent of an efficient marketing system further limits the size of markets to small areas, surrounding the points of production which in turn inhibit investment, raise the cost of production and make it difficult for the local manufactures to complete with imported goods.

### **Marketing Has Critical Role**

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The study is concentrated on to examine the market structure, marketing system and strategies of sugar producers and analyzing their marketing problems. The examination of prevailing system and strategies will reveal opportunities for new entrepreneurs and also alert them about the threats. Similarly, analysis of marketing problems has great importance for the sugar producers. It will help them to find out the solution of various problems in the area of marketing mix and further help them to operate business more effectively.

Again, the study also assesses degree of satisfaction of consumers and indicates whether the consumers are satisfied. Such information is of great importance for the producers to further improve the quality of product and understand their dissatisfaction, if any towards pricing and distribution of product.

### **Conclusion**

Nepal is an agricultural country and 80% of the population lives in rural areas. Cigarette industry is high revenue generating industry. Therefore, the industry has great importance in Nepalese economy. Further, this industry is high revenue generating industry. Its contribution is remarkable in tax revenue. The success of industry depends on production as well as efficient marketing activities too. In this competitive age, most of the industries are facing marketing problems. Sugar industries are no exception in this case.

The present study also recommends measures for effective marketing of sugar, which may be useful for the producers to present their product in the market in a more competitive way. Thus, they will be able to face both internal as well as external competition in a much better way.

Likewise, it is also expected that the marketing academics will be benefited from the study and they will understand the prevailing market situation and draw useful inferences to make teaching-learning process more effective. The future researchers will also get benefited from the study. They can capitalize on this for their research purposes.

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