

Public Private Dialogue on Enhancing Export Competitiveness of Nepalese Honey

Presented by
Posh Raj Pandey

on behalf of
South Asia Watch on Trade, Economic and Environment


23rd December, 2014
Hotel Himalaya, Kupondole

Presentation Outline

Section I: Export barriers

- ✓ Nepal's export performance
- ✓ Barriers to promote trade

Section II: Export competitiveness of Nepalese honey

- ✓ Background, objectives and methodology
 - ✓ Rules, regulations and policies
 - ✓ Export performance
 - ✓ Standards on honey
 - ✓ Major problems related to honey export
 - ✓ Way forward
- 

Section I: Export Barriers

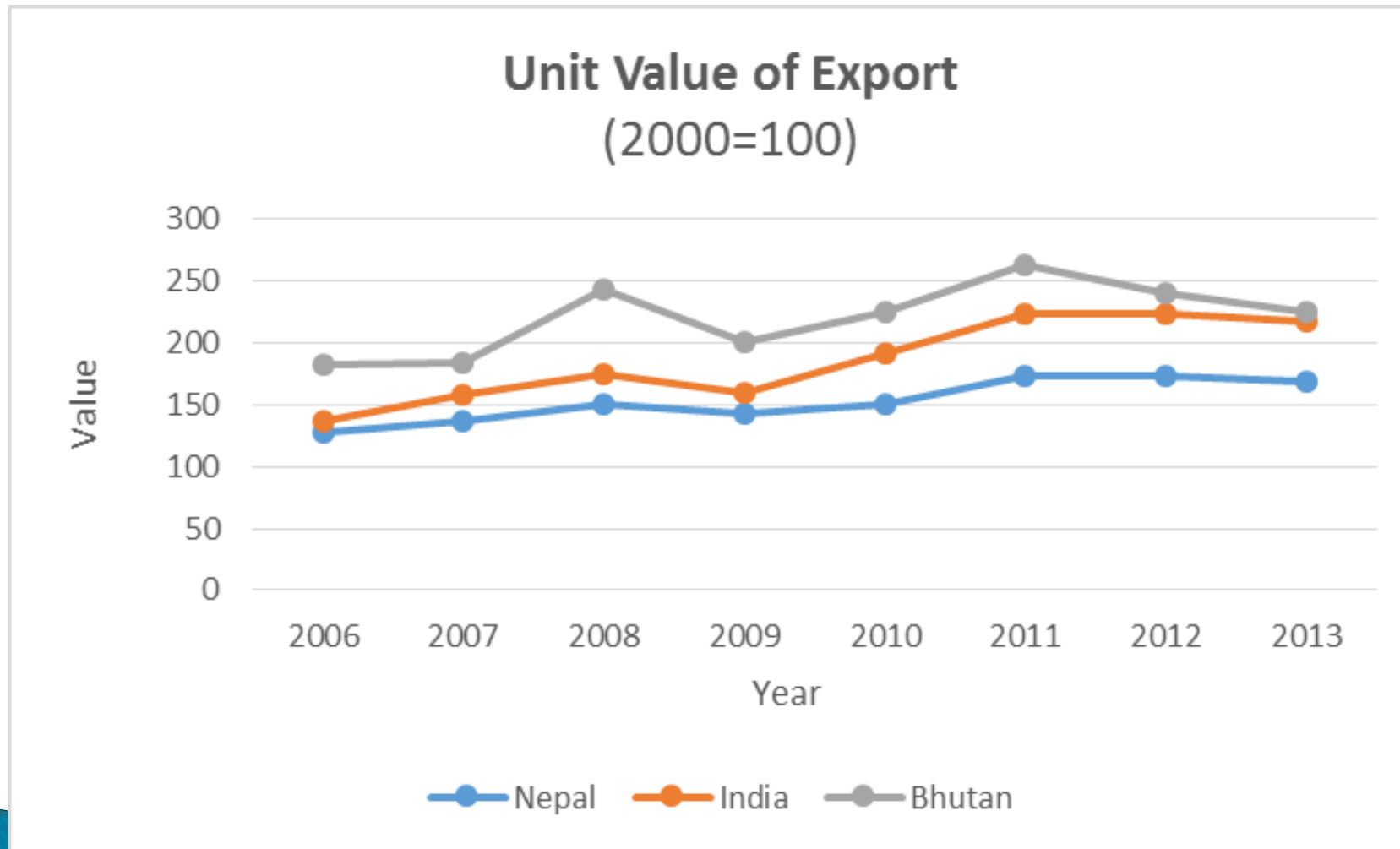
Nepal's Trade Performance : Dismal export and widening trade deficits

Nepal's Trade Performance

Fiscal year	08/09	09/10	10/11	11/12	12/13	13/14
Total Trade/GDP	35.6	36.5	33.6	34.4	37.4	41.6
Trade Deficit/GDP	-21.9	-26.3	-24.2	-24.9	-28.4	-32.1
Export /GDP	6.9	5.1	4.7	4.8	4.5	4.8
Import/GDP	28.8	31.4	28.9	29.6	32.9	36.8
Export (goods) (annual change)	14.2	-10.2	5.8	15.4	3.6	19.3
Import (goods) (annual change)	28.2	31.6	5.8	16.5	20.6	27.3

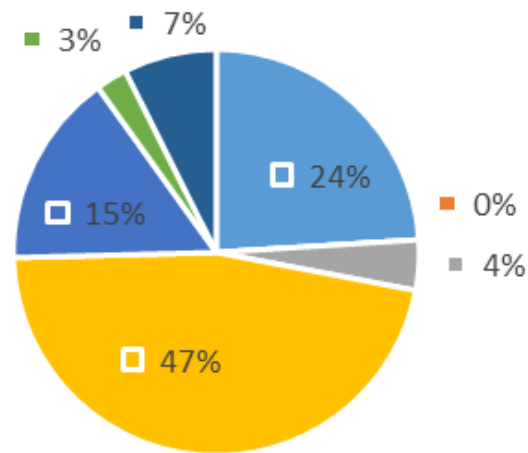
Source: Economic Survey 2013/14,
Nepal Rastra Bank

Nepal's Trade Performance: stagnant unit value



Export Composition : dominated by agriculture and labour intensive manufacturing

Export Composition



- Food and agriculture
- Fuels
- Mineral ores
- Labour intensive manufactured goods
- Low skill and technology intensive
- Medium skill and technology intensive
- High skill and technology intensive

Major exportable : 10 products constitutes about half of the export value

S.N	Commodities	FY 2013/14	Growth Rate	Share of Exports
1	Woollen Carpet	7,384,950	30.5	8.08
2	Yarns (Polyester, Cotton and others)	6,434,341	10.3	7.04
3	Textiles	5,653,142	4.7	6.19
4	Readymade Garments	5,604,905	46.6	6.13
5	Juices	4,442,450	16.7	4.86
6	Cardamom	4,270,372	10.9	4.67
7	Tubes, pipes and hollow profiles of iron and steel	3,244,128	-9.2	3.55
8	Woolen and Pashmina shawls	2,821,451	29.4	3.09
9	Jute bags and sacks	2,420,062	-4.9	2.65
10	Flat rolled products of iron or non-alloy steel	2,157,059	-14.2	2.36
	Total	91,361,036	18.1	

Export destinations: More than two-third of exports concentrated with India

Top 10 Exports destinations of Nepal

Countries	F.Y. 2013	Share
India	55,321,414,122	66.8
U.S.A.	6,531,238,704	7.9
Germany	3,162,703,464	3.8
China P. R.	2,042,253,520	2.5
U.K.	1,924,334,331	2.3
Bangladesh	1,783,674,209	2.2
France	1,225,217,965	1.5
Afghanistan	1,128,116,143	1.4
Turkey	1,088,616,516	1.3
Japan	1,034,734,464	1.2

Why Dismal Performance in Exports?: barriers in export promotion

- Market access barriers
 - 🐝 Tariffs
 - 🐝 Para-tariffs
 - 🐝 Non-tariff barriers

- Fiscal and exchange rate policies
 - 🐝 Effective rate of protection
 - 🐝 Exchange rate regime
 - 🐝 Policy incoherence

Barriers in export promotion

- Supply-side constraints
 - Geographical constraints
 - Lack of infrastructure and trade facilitation
 - 🐝 Electricity
 - 🐝 Transport
 - 🐝 Standardization
 - 🐝 Finance
 - Governance
 - Low investment and productivity
 - High export concentration

Barriers in export promotion

Special issues with India

🐝 Quarantine certification

🐝 Para tariffs

🐝 Rules of origin

🐝 Transport hassles

🐝 Technical barriers

🐝 Quantitative restrictions

🐝 Transit permit

Special issues with SAARC countries

🐝 Prevalence of NTBs

🐝 Long Sensitive lists

Section II: Export Competitiveness of Nepalese honey

Background (1)

- ▶ Beekeeping has a long history in Nepal. Beekeeping practices have been recorded in the Vedas.
- ▶ Nepal has diverse geo-climatic conditions and abundant forest flora
- ▶ Five different bee species found in Nepal: *Apis Mellifera*, *Apis Cerana*, *Apis Dorsata*, *Apis Laboriosa* (Himalayan Honey bee), *Apis Florea*.
- ▶ More than 50,000 farmers involved in honey production with Full Time Employment Equivalence (FTEE) of 13,000 (NTIS)

Background (2)

- ▶ Estimated honey production potential of 10,000 MT - 20,000 MT per year (NTIS) (current production 1625 MT)
- ▶ Medium export potential, medium socio-economic potential and medium world market conditions as per NTIS

▶ Objectives:

🐝 To examine export performance of Nepalese honey

🐝 To identify production related barriers of Nepalese honey

🐝 To identify trade related barriers of honey

▶ Methodology

🐝 Review of available literature and studies

🐝 Analysis of published data

🐝 Interaction with exporters/producers and other relevant stakeholders

Policies : No honey specific policy (1)

Agriculture Perspective Plan	Increase growth of agriculture sector
	Bee-keeping selected among priority output (Livestock)
	Recognizes the importance of bee-keeping in poverty reduction
National Agriculture Policy	Access quality of existing livestock and ensure supply of improved livestock
	Provision of livestock insurance
	Accreditation of agro-based laboratories
	Strengthening quarantine facilities
	Quality enforcement
Agro-business promotion policy	Promotes commercialization and envisages increased competitiveness
	Infrastructural and technical support to honey production and bee farming
	Training to the farmers
	Accreditation of independent laboratory

Policies : No honey specific policy (2)

NTIS	Among 7 chosen agriculture products
	Medium socio-economic impact, medium export potential
	Residue Monitoring Plan submission
	Laboratory strengthening
	Acquire organic certification
Nepal Trade Policy 2009	Honey under “Thrust Area Development”
	Accreditation of laboratory, quality assurance
	Diversification of honey production
	Improvement in packaging et al.
Industrial Policy	Provision of credit
	Financial incentives
	Marketing promotion
Agricultural Development Strategy	Recognizes honey as a niche commodity (although no specific strategies)
	Measures to increase productivity, commercialization and competitiveness
	Targets trade surplus in agriculture in long run by inter alia exporting high value commodity

Policies : No honey specific policy (3)

Three Year Plans

Emphasis on agriculture commercialization

Provision on agro-credit and insurance

Improvement in quality control and testing and certification facilities

Improvement in infrastructure

Acquire organic certification

Trade Facts of Honey: global demand is increasing

Global demand of honey

Importers	Trade Indicators		
	Value imported in 2013 (USD thousand)	Annual growth in value between 2009-2013 (%)	Share in world imports (%)
World	2,027,031	11	100
United States of America	497,886	21	24.6
Germany	322,004	4	15.9
United Kingdom	126,422	3	6.2
Japan	116,268	6	5.7
France	113,140	6	5.6
Italy	75,189	8	3.7
Belgium	68,036	9	3.4
Saudi Arabia	66,422	21	3.3
Netherlands	53,750	12	2.7
Spain	53,047	10	2.6

Source: Trademap

Trade Facts of Honey: Argentina and China dominate export market

Major exporters of honey

S.N.	Exporters	Value exported in 2013 (USD thousand)	Trade Indicators	
			Annual growth in value between 2009-2013 (%)	Share in world exports (%)
	World	2,056,753	12	100
1	China	246,550	16	12.0
2	Argentina	212,637	8	10.3
3	New Zealand	139,316	23	6.8
4	Germany	134,316	6	6.5
5	Mexico	112,352	9	5.5
6	Spain	91,483	8	4.4
7	Viet Nam	90,553	20	4.4
8	Hungary	90,467	9	4.4
9	India	75,718	31	3.7
10	Belgium	72,886	15	3.5
136	Nepal	1	-58	0.0

Source: Trademap

Trade Facts of Homey : Nepal's export shrinking

Major importers of Nepalese honey (in USD)

S.N.	2011			2012			2013		
	Country	Quantity (kg)	Value	Country	Quantity (kg)	Value	Country	Quantity (kg)	Value
1	Bangladesh	32,000	81,239	Bangladesh	8,000	18,770	USA	800	861
2	Japan	480	2,775	Korea R	1	5,286	Korea	37	165
3	Saudi Arabia	900	1,790						
4	Qatar	45	112						
5	China PR	12	76						
6	UAE	5	50						
	Total	33,442	86,042	Total	8,001	18,830	Total	837	1,026

Source: TEPC <http://www.tepc.gov.np>

Nepal has tariff advantages on exporting honey

Importers	Tariff (estimated) faced by Nepal (%)	China*(%)	India*(%)	Argentina*(%)	MFN Tariff (%)
Belgium	0	17.3	17.3	17.3	17.3
France	0	17.3	17.3	17.3	17.3
Germany	0	17.3	17.3	17.3	17.3
Italy	0	17.3	17.3	17.3	17.3
Japan	0	25.5	25.5	25.5	25.5
Netherlands	0	17.3	17.3	17.3	17.3
Poland	0	17.3	17.3	17.3	17.3
Saudi Arabia	5	5	5	5	5
Switzerland	0	4.52	4.52	4.52	4.52
United Kingdom	0	17.3	17.3	17.3	17.3
United States of America	0	0.66	0.66	0.66	0.66
India	0	60		60	60
Spain	0	17.3	17.3	17.3	17.3

Source: Trademap 2013

But, suffers in meeting standards

Technical Standard of Honey

Parameters	Nepal	Codex Alimentarius	India	European Union
Definition	Natural sweet substance produced by honeybees	Natural sweet substance produced by honeybees	Natural sweet substance produced by honeybees	Natural sweet substance produced by <i>Apis mellifera</i> bees
Moisture (% by mass)	Not more than 23	Not more than 20	Not more than 25	Not more than 20
Ash (% by mass)	Not more than 0.5	-	Not more than 0.5	Not prescribed
Total reducing sugar (% by mass)	Not less than 65	-	Not less than 65	Not less than 60g/ 100g
Sucrose (% by mass)	Not more than 5.0	Not more than 5g/100g	Not more than 5.0	Not more than 5g/100g
F/G ratio (% by mass)	Not less than 0.95	Not less than 60g/100g	Not less than 0.95	Not prescribed
Acidity (% by mass) expressed as formic acid	Not more than 0.2 percent	Not more than 50 milliequivalents acid/ 1000g	Not more than 0.2 percent	Not more than 50 milliequivalents acid/ 1000g
Specific gravity at 27^o C		-	Not less than 1.35	-
Water insoluble solid (% by mass) (max)	Not more than 0.5 percent	Not more than 0.1g/100g	Not prescribed	Not more than 0.1g/100
Fiehe's Test	Not prescribed	Not prescribed	Negative	Not prescribed
Diastase activity	Not prescribed	Not less than 8 Schade units	Not prescribed	Not less than 8 Schade units
Hydroxy methyl furfural	Not more than 40mg/kg	40 mg/kg	Not more than 80 mg/kg	40 mg/kg
Electrical conductivity	Not prescribed	Not more than 0.8 mS/cm (honey)	Not prescribed	Not more than 0.8 mS/cm (honey)

Standards in importing countries

▶ Europe

- Honey standards set by CAC defined under Council Directive 2001/110/EC
 - Honey defined as substance produced from *Apis Mellifera*
 - Composition defined
- Labeling requirements on food items including (EU Regulation 1169/2011, Directive 74/409/EEC)
 - Should mention honey type, weight, trade name and name of producer
 - Easy to read information
 - Information on allergens
 - Country of origin labeling
 - Information for online sale
- Residue Monitoring Plan
- Requires health certificate of bees by registered veterinarian
- Inspection of health certificate at Border Inspection Post (BIP)

Standards in importing countries (2)

▶ United States

The United States has no specific honey legislation, but a country grading scheme is in effect and the general provisions of the Food and Drug Act are applied.

- Must be pure, clean from filth
- Uniform in quality
- Drums must be clean
- Moisture content up to 18.6 %
- Grading of honey (optional)

Standards in importing countries (3)

▶ Japan

- Composition requirement
- Labelling requirement to include name, contents, quality assurance period, additives used, storage methods and raw materials used

▶ India

- Prevention of Food Adulteration Rules (PFA) on composition
- FSSAI Regulations on limits of metals in honey
- Prohibition of items like antibiotics in honey
- Packaging requirements
- Marking and Labeling requirements to include name of packer, place of packing, date of packing, best before date etc.

Standards in importing countries (4)

▶ China

- National Food Safety Standard Honey as defined in GB14963-2011
- Physical and chemical requirements
- Maximum limit to pollutants
- Maximum limit of veterinary drug residues
- Maximum limit to pesticide residues
- Maximum Limit to Microorganism

Major problems

- Inadequate production
 - ▶ No Beekeeping policy
 - ▶ Lack of incentives for large scale commercialization
 - ▶ Lack of access to finance and insurance to small beekeepers
 - ▶ Deforestation leading to loss of diversity and lack of grazing area
 - ▶ High cost of transport
 - ▶ Unfriendly competition leading to lack of grazing pastures
 - ▶ Use of pesticides by farmers
- Lack of quality assurance and enforcement mechanism

Major problems

- Lack of quality assurance and enforcement mechanism
 - 🐝 Absence of Good Manufacturing Practices
 - 🐝 Accepted Residue Monitoring Plan (RMP)
 - 🐝 Codex Alimentarius Commission (CAC) standards and Nepalese honey standards
 - 🐝 Grading system is not there
 - 🐝 Regulatory and certification requirements are absent
- ▶ Foreign Market
 - 🐝 Honey from Apis Cerena, Apis Laboriosa not recognized
 - 🐝 Stringent health certification requirements for small producers
 - 🐝 Traceability is difficult for small producers
 - 🐝 High cost of transport
 - 🐝 Lack of market information

Trade Related Barriers

▶ Foreign Market

- 🐝 Honey from Apis Cerena, Apis Laboriosa not recognized
- 🐝 Stringent health certification requirements for small producers
- 🐝 Traceability is difficult for small producers
- 🐝 High cost of transport
- 🐝 Coordination among buyers and sellers missing


▶ Domestic Hurdles

- 🐝 Absence of Good Manufacturing Practices
- 🐝 Accepted Residue Monitoring Plan (RMP)
- 🐝 Codex Alimentarius Commission (CAC) standards and Nepalese honey standards
- 🐝 Grading system is not there
- 🐝 Regulatory and certification requirements are absent

Way forward

- Introduce Beekeeping Policy that
 - 🐝 Promotes commercialization
 - 🐝 Promotes Good Hygiene Practices (GHP), Good Manufacturing Practices (GMP), and the Hazard Analysis Critical Control Point (HACCP) system
 - 🐝 Ensures healthy competition
 - 🐝 Recognizes inter-linkages between beekeeping and economic, social and environmental factors
- Enforcement of agribusiness promotion related facilities provided
- Diversify honey products
- Development of mechanisms to ensure traceability
- Enforcement of Residual Monitoring Plan (RMP)
- Strengthening of domestic laboratories

Way forward (contd.)

- ▶ Compliance of Nepalese standards with CAC
 - ▶ Development of agro-based export promotion authority/ National Beekeeping Board (NBB)
 - ▶ Encouragement to cooperative practices for collection
 - ▶ Effective branding
- 

Thank You

comments/suggestions

at

posh.pandey@sawtee.org