

## CASE STUDY 6

### APPLE PRODUCTION RIPENS REMOTE JUMLA

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#### CHALLENGE

Jumla is one of the rugged districts in the poorest region of western Nepal, with an incidence of poverty at 70% and 25% of the 100,000 resident population come from disadvantaged and socially excluded groups. The literacy rate in Jumla is 32.2% and this district ranks 70<sup>th</sup> of 75 districts in the country in the Human Development Index ranking.

Jumla is largely isolated from the rest of the world except for occasional air transport and seasonal road connectivity. Jumla smallholder farmers have very little cash income and therefore can barely afford, and do not have access to, chemical fertilisers and pesticides. As a result, the district is organic by default. If these areas are to be certified and the produce linked to high value markets, every high value crop from this district has the potential of selling in niche organic markets. When it comes to specific commodities such as apples, the opportunity is not limited to niche markets but can also include bulk markets for non-certified apples, as there is a potential for import substitution of up to 90% in the domestic market. According to the District Agriculture Development Office (DADO), the district has a growing trend toward apple production with 4,600 tonnes produced in 2007. This is an immense opportunity to increase the incomes of Jumli producers from a product that in the past was largely wasted or sold at very low prices because of inaccessibility to high value markets.

However, this is easier said than done; the challenges are diverse in going from virtually no commercial orientation in systematic organic farming practices to successful commercial trade of organic certified apples. The local private sector is still very weak and there is very limited capacity among them to cash in on this opportunity. Additionally, due to the risks posed by the remoteness of Jumla and the challenge of aggregating produce from the region, private companies elsewhere have, by far, not been interested in trading with Jumla. Of total apple production, only 5% was successfully exported out of the district and the rest was dumped as mulch.

In Nepal, organic agriculture remains at its infancy with no separate or clear policy and virtually no government mechanism to support its implementation. In mid-2009, the Ministry of Agriculture and Co-operatives made public national level guidelines for organic agriculture. Although in many value chains, especially of exportable commodities, organic agriculture practices are fast gaining pace, specific guidelines or standards are yet to be formulated and targeted support to these sectors has yet to be formulated.

Amidst this bleak situation, a government institution - the District Agriculture Development Office - took the lead in declaring Jumla as an organic district in 2007 (banned the import and use of chemical fertilisers and pesticides in the district) recognising the opportunities that lay ahead. Toward this initiative, the DADO, due to its limited capacity, sought help from SNV (known to Jumla and the larger Mid-Western Development Region for SNV's development contribution over the last 25 years) to promote Jumla apples in the organic market.

#### CLIENTS

The Jumla DADO is the district based unit of the department of agriculture which is mandated with extension services related to agriculture and livestock development in the district. With little knowledge of the market and its complex dynamics, Jumla DADO requested for SNV's support in promoting Jumla apples.

The overall goal of the assignment was to pilot linking the high end organic markets in the country to the producers of certified organic apples of Jumla with guaranteed quality and consistent supply. In order to achieve this goal it was necessary that apple producers are aggregated into groups/co-operatives, trained to maintain records as described in the organic guidelines, prepared for

## METHOD / SNV INTERVENTION

conducting regular internal and external audits, trained to maintain orchards (pruning, organic pest management etc.), practice sustainable harvesting and the grading and packaging of produce before shipping.

In 2008, SNV Nepal supported the initiative by first conducting a value chain analysis of Jumla apples in the region that identified the limitations and opportunities.

With the leadership of Jumla DADO, SNV facilitated the formation of a multi-stakeholder forum – the Jumla Apple Forum – which included the participation of producer groups as well as the Jumla Chamber of Commerce and Industry, Jumla District Development Committee, Jumla DADO, World Vision International - Nepal, Western Upland Poverty Alleviation Project (WUPAP) and other partners for the development of a basket mechanism to channel all development efforts for apples coming through public, private and development agencies to this sector. The creation of the Jumla Apple Forum ensures participation from its most important stakeholder and value chain actor - the poor and disadvantaged producers - in the decision making concerning apples. World Vision International Nepal and 3-4 other projects and organisations contributed financial resources to this basket fund, while SNV provided capacity building services to relevant stakeholders for the implementation of joint action plans.



In the beginning of 2009 SNV and the local capacity builders involved built the capacity of Jumla DADO through a series of training events on the following topics a) apple nursery management; b) orchard management; c) harvest/post harvest management; and d) organic farming & pest management methods. SNV also supported the client in conducting an orientation for 20 district development stakeholders on organic farming, facilitating bi-monthly co-ordination meetings and establishing baselines on apples.

SNV supported DADO in identifying three Village Development Committees with the largest production of apples to pilot certification, provided backstopping, and monitored DADO in conducting a series of trainings on the abovementioned topics as well as professional grading and packaging. Additionally, SNV supported the certification of the Jumla organic apples based on national organic guidelines through an independent national certifying company – Organic Certification Nepal (OCN). These interventions are part of IFAD funded High Value Agriculture - Inclusive Business Pilot Project.

Given the unacceptable road conditions for the transport of apples, SNV facilitated agreements between Jumla apple producer groups and Yeti Airlines – a national domestic carrier with regular flights to Jumla - to prioritise transportation of Jumla apples to Surkhet or Nepalgunj, from where road transportation begins, on a commercially viable fee basis. As a pilot of SNV's Inclusive Business approach, SNV helped identify a number of interested buyers and facilitated agreements between the producer groups and buyers to source certified Jumla apples and sell in supermarkets and other organic outlets in Kathmandu. In addition, in view of all the potential organic products, SNV supported Jumla DADO in creating the brand "Jumla Organic" and marketing certified Jumla apples in the domestic market.



## OUTCOME

As a direct result of the capacity building services provided by SNV, Jumla DADO, has a greater understanding about the topic and is also well equipped to deliver extension and training services to Jumla apple producers. Consequently Jumla DADO



developed organic nursery guidelines and conducted trainings for 40 nurseries in sapling production, trained 100 lead farmers on improved orchard management, post harvest management, use of organic pesticides (consequently training 300 apple producers) and professional grading and packaging.

As a result of the formation of the multi-stakeholder Apple Development Forum, Jumla-based organisations are contributing in a co-ordinated way to the development of the apple sector. Jumla DADO has gained a leadership and co-ordinating role, prioritising where available funds from various projects and organisations should be invested. Also for its own resources, instead of the usual 'let's do a bit of everything to keep all happy', it invested most of its resources into organic apples and was widely acknowledged locally and by the ministry of agriculture for making visible change.

Where the fruits used to be of low grade and damaged, harvested by shaking the tree vigorously, piled up without protection, sold locally or transported through rough roads or flown to Surkhet or Nepalgunj or beyond and sold as the lowest grade of apples in markets, in 2009, this situation changed for good. Jumla apples are now, for the first time, successfully certified, harvested using proper tools-undamaged, cleaned, graded and individually packaged carefully and protected to sustain any possible injury on the way, flown to Surkhet and Nepalgunj, stored in cold storages and finally transported to Kathmandu and other major cities and sold certified as "Organic in Conversion" in supermarkets and organic outlets. Approximately 30 metric tonnes of apples from the 3 VDCs were certified, almost all of which were exported out the district.



The health conscious elite consumers in major cities are now aware about *Jumla Organic* apples and were seen to pay premiums up to Rs. 200 per kg (compared to non-certified apples that normally sell for Rs. 80-100). Jumla apples sold in Kathmandu supermarkets for up to Rs. 300. The outcome of the branding exercise has been

that the *Jumla Organic* brand has been established in the minds of consumers.

Jumla apples is by far the first produce to be certified as organic for the domestic market, drawing the attention of policy makers and regulators for immediate need for policy intervention in organic agriculture and special support packages to these sectors. Being the first domestically certified produce, local and national level media picked up the Jumla Apple story for broadcast on various national television channels as a success story. Yeti Airlines expressed a commitment to contribute to the development of the apple sector in Jumla as part of their Corporate Social Responsibility Programme.

With 300 producers certified, some 10,000 households in the district now have apple orchards. While the pilot only targeted 3 out of 30 Village Development Committees in Jumla, the DADO has already seen expressions of strong interest in the form of a mass rally to also be included in the apple development programme for certification. SNV has also been approached by neighbouring districts to be included for trainings and certification.

## IMPACT

In 2009, through the improved service delivery of DADO and stakeholders in Jumla, approximately 30 metric tonnes of apples were certified and sold for Rs. 35 per kg at the farm gate as opposed to Rs. 10 per kg sold in previous years. This accounts for a gross additional income of Rs. 750,000 (assuming 30 tonnes were sold in the previous years as in 2009), an increase of 250% over previous years for 300 farmers of 3 pilot VDCs.

With regards to non-certified apples, approximately 20 metric tonnes were exported out of the district at the farm gate price of Rs. 30 per kg. The gross additional income from non-certified apple amounts to Rs. 600,000.

With the overwhelming interest from all sides, market acceptance of the product, and price premium, a many-fold increase is expected in the coming years.

## LESSONS LEARNED

Based on the case, the following conclusions can be drawn:

## TESTIMONIALS

1. Producer aggregation is a challenge and if support is provided to private companies/agri-businesses, interest can be created to do business even in the remotest areas, therefore proving that IB could work in Nepal.
2. If high end niche markets are targeted, increased income can be guaranteed through the commercially viable option of organic certification for domestic markets even without government subsidies.
3. Even in the bleak situations where the policy environment is underdeveloped, if there is adequate interest and commitment from all concerned stakeholders, this can persuade policy makers and regulators to work together to create and show change in a short period of time.
4. Lessons for the future: If stakeholders are well-oriented and guided by a sound marketing strategy, benefits beyond what was received during the pilot phase can be guaranteed for producers.

"I found the organic certification process and training very useful because I was able to learn a lot from the training and certification process as a result of which this year I earned approximately Rs 15,000 by selling apples for Rs 35 per kg. I am thinking to use part of this earning for my children's education, house expenses and to grow more apple plants and to plant vegetables."

Mitthu Khatri  
Jumla District

## STANDARD DATA

- Start and end date of contract: Jan-Dec 2009
- Consistence of team: SNV-staff/LCBs and external consultants: VC advisors Ananta Ghimire, Rik van Keulen, Monisha Rajbhandari. ID/OS advisor: Chandra Regmi. LCBs: Nepal Horticulture Promotion Center and Organic Certification Nepal.
- Number of PP-days already invested and planned to be invested per category: Staff: 146; LCB: 52; External consultant: 6
- Involved partnerships: Promotion of organic certified apple is one of the 3 value chains promoted in the High Value Agriculture – Inclusive Business Pilot Project. Funded by IFAD and implemented by SNV to learn and prepare for the larger future HVAP project which includes SNV advisory services.
- Financial resources invested: Euro 5435
- Client satisfaction and enhanced capacity scores: 15 out of 16; and 8 out of 8 respectively.