

## Role of Agricultural Products in Foreign Trade of Nepal

Udaya Bahadur Rana Magar

Ministry of Home Affairs, Chief District Officer, Rupandehi District, Nepal.

E-mail: rana\_udaya@yahoo.com

---

**How to Cite:** Magar, U.B.R. (2019). Role of Agricultural Products in Foreign Trade of Nepal. *Int. J. Agr. Syst.* 7(1): 52-64

---

### ABSTRACT

Nepal is developing country and its economic mainly based on agricultural sector. A large number of people are relying on agriculture sector. However, still some districts are suffering from food deficit and huge amount of food items import from neighboring countries as well as others countries. In these reasons, the Nepalese export import trade is unbalance. In this condition, this paper is trying to identify the role of agriculture sector in foreign trade of Nepal. For these purposes, we used the secondary data and using the descriptive methods for getting the results. The analysis of data showed that imports of agricultural products are increasing from neighboring country as well as others countries. Two third amounts of agricultural products have imported from India and remaining portion from others countries. Due to large amount of imported agricultural product, Nepalese foreign trade is unbalanced. So, policy maker should be focused on development of agriculture field, concerning policy and programs of this sector and pattern of foreign trade should be revised and reformed by the diversification, modernization, instrument-focused agriculture system, which could help to reduce trade deficit and keep it in certain trade balance of Nepal.

Copyright ©2019 IJAS. All rights reserved.

### Keywords:

Agricultural products; foreign trade; Nepal

### 1. Introduction

Nepal is a Himalayan, land locked and agricultural country. An agricultural occupation is taken as the main occupation from the ancient days. According to National Agriculture Survey 2068 about 3,831,000 people rely on agriculture. Although agriculture is taken as main occupation of Nepalese people out of 75 districts 33 are still facing scarcity of food (Bhattraai, Bhavkrishna and Dr. Subedi, Madhu, 2070). Contribution of agriculture sector to GDP is decreasing. Tendency of importation of agricultural products are rising day by day because of the decreasing volume of the production inside the country. Due to that trade deficit has been increasing intensively. This shows that there is an imbalance in foreign trade. Nepal is a developing country so there is no sufficient development in many sectors one of them is agriculture. However, we have 57% of human resource is economically active (CBS, 2068) and Agriculture, tourism, trade and industry, hydropower sectors are potential sector for Nepalese economy. Therefore, the agricultural sector should be made more efficient, productive and attractive by making modernized and well-equipped mechanism to

reduce this trade deficit. Commerce policy should also be reformed and exportation should be prioritized by giving subsidies rather importing. Nepal is at 58<sup>th</sup> position securing 22.5 marks according to International food policy research institute's report (Global Hunger Index, 2014). The youth, who had worked on this field abroad, are doing on this particular sector, gives rays of hope and creating employment to others. The nation should make such policies to engage youth in agricultural sector with well-equipped modern facilities. This sector has lot of potentialities to strengthen the country economically and to balance foreign trade, increase income, household's food security (Rahmadanah, *et al.*, 2018), improving marketing networks in agriculture (Arsyad *et al.*, 2018), and enhancing an institutional structure (Nuddin, *et al.*, 2019) for economic development.

Government of Nepal has introduced many policies and other initiatives to reduce the trade deficit. In this context geographical scenario, available technology, resources, tools, local agricultural workers' necessity, comparative benefit and Nepal's international treaties, sustainable development goals, WTO, SAARC's sectoral development goals, National Agricultural Policy, sustainable agricultural policy and projects; these are the commitment of nation and also has to be the main goal while replacing and filling gap of trade deficit. Trade is the main engine of economic development of the nation. It helps to reduce the poverty and raise the livelihood of people everywhere. Till 1950, Nepal's foreign trade used to be only with China (then Tibet) and India. After 1990, Nepal took liberal economic policy and she entered into the global market. Then, Nepal had become economically globalised and got chance to be varied, WTO membership and got into International web of trade as well. Recent data shows that Nepal has trades with 181 countries. From 127 countries goods are imported and with 42 countries both importation and exportation are done. In fiscal year 2074/075, 85% were imported (Trade promotion Centre, 2074). Quantity of importation is less, with only 28 countries. India and China are the two countries that Nepal does importation and has trade deficit. Trade deficit with India is about 764 billion because exportation is only 46 billion and importation is 810 billion. Likewise, Trade deficit with China is 157 billion and exportation is 2.43 billion and importation is 159 billion (Trade Amplification Centre, 2074). Therefore, foreign trade is not favorable to Nepal.

Being a landlocked country, Nepal faced hindrance while dealing foreign trade. But International treaties, bilateral agreement and foreign affairs make easy to deal with such hindrance. Indo-Nepal Trade and Transportation treaties of 1950 A.D also depict the importance of it. Though failed, while signing bilateral agreements, and couldn't raise it that's why lack to use ocean for trade. Nepal also has to put much on investment to get mount of benefit. In "Capital in the 21<sup>st</sup> Century" Piketty says there will be the monopoly in investment and an ordinary country will not get benefit as they deserve and there will be the gap of elite and non-elite. So there will be an imbalance. Even this theory has been the current situation of Nepal. Nepal doesn't have much investment in trade, exportation lacks and importation of goods is increasing. Nepal's trade deficit has been increasing in recent years. There are various reasons for trade deficit. Among them increase of importation could be one of them. Recent studies show less production and high import of agricultural product has increased trade deficit. This paper deals with role of agricultural products in foreign trade of Nepal.

## 2. Method

This study is totally based on secondary data. Secondary data have been collected from the published sources such as central statistical bureau of Nepal, Nepal Rastra Bank, National Planning Commission, World Bank reports and Department of Customs, Trade promotion Center, Ministry of Industry and commerce and the review of other pertinent literatures has also been used. In this study, exploratory and descriptive research design has been used. It makes an attempt to describe and assemble the necessary data for documenting the nature, factor and consequences of the study. The emphasis of the study is on qualitative aspect of the phenomena. This research design may fulfill the objectives of the study.

## 3. Results and Discussion

### 3.1. Study on Foreign Trade of Agricultural Products

Current status of agriculture product in the world trade is ever increasing in terms of volume and value. Major reason for this situation is increase world population and the diverse choice of the food items from the consumer, as increase in the income and rapid urbanization world over. Many studies have been conducted on the foreign trade of agriculture products. Imports of grain globally increased more than fivefold between 1960 and 2013 as more nations turned to international markets to help meet domestic food demand (Gardner 2015). James E. Ross (1961) studied the trends in Philippine agricultural trade and found that agricultural production has played a significant role in reversing the balance of trade and increasing the country's foreign exchange holdings. Export earnings from agricultural crops in the past decade had risen to a relatively high level, while increased production of food crops had alleviated expenditures for imports.

Panchamukhi (1986) examines the behavior of trade in agricultural commodities and its relation to other important macro-economic variables. The study showed that trade in agriculture in India is subject to vast fluctuations as compared to the trade in non-agricultural sectors in India. On drawing the relationship between exports/imports of agriculture with select macro variables like GDP, total exports, agricultural production, and total imports, it is seen there is a significant negative correlation between agricultural exports and imports, but there was no significant relationship of trade with any other variable. Prakash, *et al.* (1995) examined the impact of new economic policy on agricultural exports. They looked at the current trends in foreign trade of India, contribution of agricultural exports in total exports, the share of India in the global production and export of agricultural commodities, the changing compositions of major exportable commodities over time, major steps of liberalization in agricultural export import policy, to identify the newly emerging agricultural commodities having vast potential for steady exports and to suggest a strategy for realizing full export potential of agricultural commodities.

Datta, *et al.* (2001) examined the changes in the composition and direction of India's agricultural trade in the reforms period classifying the time period 1986 to 1991 as pre-reform and 1992-97 as post reform years. It is seen that India has achieved a sharp change in the composition of her exports but India has been able to achieve only marginal increase in the share of exportable, whose relative unit value is increasing or remaining constant during the post reform period. India has significantly increased the share of items whose relative unit value is less than unity and that too is declining in

the post reforms period. Similarly, in the case of imports, India has stopped importing a large number of primary commodities while moving in the direction of value added and processed agricultural products. But this study has the limitation of considering the time period from 1991 onwards as the liberalization period for agriculture. Since it is also seen through the review of policies that liberalization policies have not directly been directly applicable to agricultural commodities, attributing the changes in trade to the policies would be misleading. We do not come across any studies trying to examine the determinants of trade in agriculture.

Edwards (1998) studied the relation between foreign trade and total factor productivity in 93 countries and concluded that TFP growth is faster in more open economies. The empirical results provided by the study of Vohara (2001) revealed that exports have a positive and significant impact on economic growth when a country achieved some level of economic development. Related with this point, Subasat (2002) found that export oriented middle-income countries grow faster relative to less export-oriented countries, and exports do not have a significant impact on economic growth of low and high-income countries. Lewer and Van den Berg (2003) examined the size of the relationship between international trade and growth by not just considering its statistical significance but also regarding its economic significance, and revealed that a one percentage point increase in growth of exports leads to a one-fifth percentage point increase in economic growth.

Kehar and Inder (2003) studied the prospects of agricultural exports of India using composite index approach. The study is based on the analysis time series data of export value and export quantum from 1980 to 2001. The study reveals that – coffee green, coffee extract, groundnuts, shelled milled paddy, rice, pepper, potatoes have bright prospects, bananas, beef and veal, buffalo meat, cake of rape seed, cotton waste, ghee from cow milk, hen eggs, infant food, lentils, oil of castor beans, oranges, sesame seed, tobacco leaves and walnuts shelled have also been visualized to have positive prospects.

Mustafa (2011) had studied the relationship between foreign trade and economic growth in Turkey taking the three decades' data, particularly observing distinctive feature of the last decade in terms of economic growth-foreign trade relationship. The study has adopted two main methodological approaches. The first approach includes two econometric analyses based on VAR and VEC models regarding periods 1987:1-2007:3 and 2000:1-2007:3 for investigating the dynamic relationship between GDP, exports and imports. The second approach includes the analysis of composition change in foreign trade of Turkey in the period 1980-2009 based on descriptive statistics. The results of analyses suggest that imports were one of the significant determinants of the economic growth in Turkey during the periods 1987:1-2007:3 and 2000:1-2007:3 whereas exports did not have important impacts on it. The study found that the export growth was significantly affected by the GDP growth, which indicates growth-led export pattern in Turkey during these periods. Also, there is found no significant relationship between exports and imports. Even though the distinctive characteristic of foreign trade pattern of the last decade is observed, the results do not support that the last decade distinct from the previous decades in terms of foreign trade and economic growth relationship.

Shameek and Sahana (2012) studied an Overview of India' Export Performance: Trends and Drivers. Exports have played an increasingly important role in India's economic growth in the last two decades. They analyzed the performance of India's exports and

the various economic factors which have contributed to its growth. Since manufactured exports comprise a significant share of India's aggregate (merchandise) exports, the paper also provides an overview of the export performance of three important commodities; namely, gems and jewelry, cotton and electronic goods and concludes with key policy changes which could have a bearing on the current trends seen in these sectors. Rajkumar and Varsha (2013) studied Growth and Performance of India's Agriculture Exports from 1991-92 to 2010- 11, and the contribution of percentage share in total export of India as well as Gross Domestic Product by using secondary sources of data collection. They also examined the changing behavior of the contribution of individual group of commodities in the basket of total agricultural export. It includes the major agriculture product/crops that contribute to the maximum share in the total agriculture export in different periods (2000-2011).

### **3.2. Nepal's Foreign Trade Tendency and Current Situation**

Trade is one of the most important components of Nepalese economy. Currently total foreign trade ratio to GDP is around 37%. However, Nepal's foreign trade is not satisfactory level. One of the major problems facing by Nepalese economy is trade deficit since decade of years. Foreign trade is considered as an essential factor for accelerating the path of economic development. The growing and continued mismatch between import and export has resulted in an alarming level of trade deficit. Nepal imports primary and industrial raw materials (due to declining domestic raw material production), and processed agriculture products (due to limited investment and competitiveness in high-quality, high-value agro-processing). The range of exports is concentrated in a narrow set of manufactured and agricultural products, such as carpets, readymade garments, pashmina, handicrafts, pulses, jute goods and vegetable ghee. Export market concentration has increased and most of the exports are destined to few markets such as India, United States of America and Europe.

Nepal, an agro-based economy, has more than two third of its people engaged on agriculture profession and the contribution of the agriculture sector to the total GDP constitutes 28.8 per cent (MoF 2018). In spite of agriculture playing a strong role in livelihoods and the economy, Nepal's agricultural trade is in deficit. The imports of food and live animals was NRS 1.8 billion in 1990, which has become NRS 130.6 billion in 2016. Likewise, the exports of food and live animals was nearly NRS 1 billion in 1990 and became NRS 18.3 billion in 2016. The import of agricultural products has increased by more than 72 times but the growth of export since 1990 to 2016 is only 20 times. The figure below shows the trade deficit on agriculture product is NRS 112.3 billion (Figure 1).

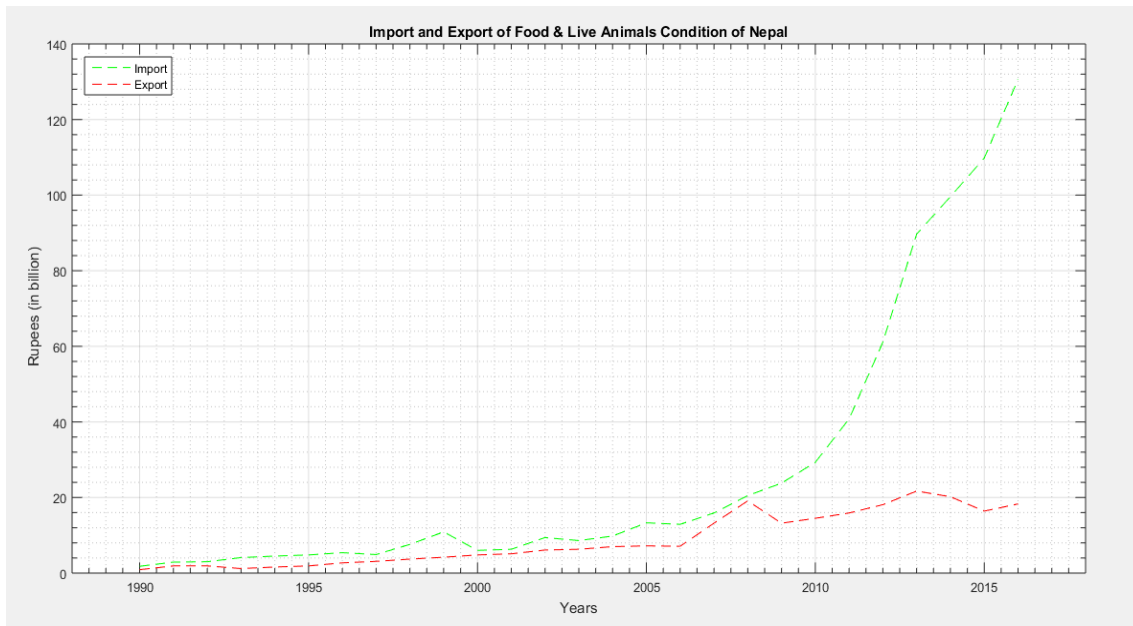


Figure 1. Nepal Import-Export (Source: MoF, Economic Surveys)

Nepal is still the net importer of agricultural products, despite being an agricultural economy. The above graph indicates that volume of agriculture products import has been increased every year. Along with the increasing volume of agriculture products import the trade deficit of Nepal has also been increased.

From the past experience, foreign trade has not been a cup of tea to Nepal. Table 1 also tells about it since 1975 trade favors India. Of the total, 67% of trade held with India. By 2005/06 there was an up and down but by 2017/18 the situation was the same, 66% trade with India and rest with the other countries. This shows that relying to India still hold the trade deficit with India too.

Table 1. Foreign Trade Tendency and Evolution phase

Particular	1975-76	1985-86	1995-96	2005-06	2017-18
Share of Total Trade to India	67	42	30	63	66
Share of Total Trade to other countries	33	58	70	37	34
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Sources: TEPC (2017)

Likewise, in past 35 years, international trade of Nepal increased quantitatively. The data has indicated that international trade of Nepal has grown up in both aspects: import and export. It has pointed that existing export of Nepal in 1975/76 was Rs. 1185.5 million, and it reached Rs 77350.7 million in 2012/13. Similarly, regarding to import, Rs. 1981.7 million has reached at Rs 601207.2 million in 2012/13. That condition has pointed a huge gap between export and import. Out of the total trade, a share of trade to India stands 65%. Of the total trade, a share of trade was 28% in Fiscal Year 2051/52, and it has reached 65 % in Fiscal Year 2069/70. It shows that the dependent with India has been increasing. Trade dependency ratio of Nepal with

India has turned into two third trade deficit ratio. In total, the shares of foreign trade with China and India have been 77%.

According to data of Trade and Export Promotion Center (TEPC) in the first nine months of the Fiscal Year 2074/75, total foreign trade of Nepal has been increased by 19.5% and reached Rs. 934.50 billion. Of the total trade, the shares of export and import have been 6.4% and 93.6% respectively. In review period, the total export grew up 7.4% and turned into Rs. 59.62 billion and total import increased by 20.4% and signed into Rs. 874.88 billion. In the first nine months of Fiscal year 2074, export and import ratio was 1:13.1, but during the same period of Fiscal year 2074/75 export and import trade has been 1:14.7. At that period, the exported main goods were woolen carpets, readymade garments, red beans, polyesters and threads, textile, iron and steels and their productions, handicrafts, noodles, toothpaste, cardamom, tea, ginger, Nepali hand paper, skins, Pashmina, herbs etc. At review time, export of woolen carpets has decreased by 10% and appeared Rs. 5.09 billion with the comparison of same period of previous year. Regarding to readymade garments, it increased by 10.2% and became Rs. 4.38 billion. Likewise, the export of iron, steels and their production have declined by 4.4% and turned into Rs. 4.08 billion, whereas the polyesters and threads raised by 22.5% and appeared into Rs. 5.89 billion. Red bean increased by 13.0% and reached 73 million. In a review period, the export of skin, cardamom, tea, ginger, noodles, herbs, toothpaste, textile, pashmina and handicrafts had Rs 66 million, Rs. 3.88 billion, Rs. 2.35 billion, Rs. 51 million, Rs. 54 million, Rs. 78 million, Rs. 62 million, Rs. 2.36 billion Rs, 16.7 billion, and Rs. 47 million respectively.

Nepal has been exporting the goods mainly in India, United State of America, Turkey, United Kingdom, China, Italy, France, UAE, Bangladesh, Japan, Canada, Vietnam, and Australia. Regarding to import, with the comparison of the same period of previous year, in the first nine months of FY 2074/75, petroleum oil has been Rs. 117.29 billion and that was expended by 34.2%. Iron-steels and their productions were imported increasingly by 26.4% and seen Rs. 97.21 billion. Reversely, import of transport instruments dropped by 1.5% and that was Rs. 62.34 billion. In addition, Rs. 31.62 billion was spent to import things belong to electricity increasing by 8.4%. Furthermore, Rs. 20.32 billion was used for Medicine, and its growing percentage was 16.6%. Parts of machinery items, Polythin, and instruments for telecom have been imported in increasing manner such as 54.2%, 20.4% and 9.8% respectively. In detail, these mentioned items had taken the cost like Rs. 94.18, 14.32, 3.46 and 25.47 in billion correspondingly. In contrast, the import of raw Pam oil was decreasing by 2.6% and became Rs. 3.46 billion. In a review period, concerning to import, Rs. 23.05 billion has been spent for Gold, Rs. 9.43 million for Silver, Rs. 11.51 billion for raw soybean oil. At that time, a large amount has been used for importing cement and cereals. The main imported trade countries of Nepal are India, China, Vietnam, Indonesia, Thailand, Argentina, South Korea, United States of America, Malaysia, UAE, France, Germany and Japan. According to data given by Trade promotion Center, even there was a reform in import, trade deficit of Nepal in FY 2074/75 has been 21.5% and that was Rs. 815.26 billion.

### 3.3. Agricultural Productivity

Nepal is known as an Agricultural country; however, lacking of proper system in agriculture sector makes it dependent on other countries' products. According to Census 2068, out of the 56.5% of active population, 66.5% are engaged in agriculture

sector as their profession. In Nepal, 3.831 million families are farmer and among them, 116 thousand do not have cultivable land. Comparatively, such situation has been increasing by 0.467 million in a decade. It is assumed that the families of farmers have only 2.525 million hector land areas which seems less by 129 thousand hector in a decade. Although contribution of agriculture sector in total GDP was 32.12% in FY 071/72 and 31.69% in FY 072/73, it is always unheeded (Table 2). It is assumed due to the negligence, the annual growth rate of agriculture of this year will be only 1.14%. Agriculture productivity of Nepal is very less than a neighboring country, India. Nepal has been importing a huge quantity of agricultural production to meet her need. Regarding to foreign trade of Nepal, government's data also noted that ratio of import is 5 times higher than export. In a past six months, trade deficit was Rs. 45.81 billion. Out of that, Rs. 12 billion went out for importing food production. Decreasing of agricultural grants seems as a prominent cause of less production in Agriculture sector. That situation also causes not to be independent. We have to realize one thing is that agricultural production of India has been increasing because of the grants and concession to the farmers.

It seems that not only government but also socio-cultural concept of Nepal also does not show a regard to agricultural profession. State has given less priority to this sector in its policy and programs. Budgetary allocation of government has proved that a share of agricultural budget is limited within 3-4%. Now days, firstly, agriculture sector seems a sector to hide unemployment of Nepal and secondly, 71% populations are depending on this sector. One miserable issue is that, out of the total dependent population, 83% has accepted it as a main profession, whereas 60% seems unable to fulfill their basic needs by their production. Because of the foreign employment, number of male workers has been declining in this sector. As a result, involvement of women is raising and it has reached 19%, which was only by 8% in last decade.

Table 2. Annual Growth Rate of GDP by Economic Activities (at constant prices)

Industrial Classification	In percentage								
	2058/59	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73R	2073/74P	
	2001/02	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	
A Agriculture and forestry	3.01	4.49	4.58	1.07	4.54	1.00	-0.19	5.25	
B Fishing	8.71	5.88	7.53	2.71	4.90	7.09	11.76	6.86	
C Mining and quarrying	8.79	2.01	5.03	1.98	11.85	2.34	-2.78	8.19	
D Manufacturing	-5.32	4.05	3.63	3.72	6.28	0.37	-8.00	9.70	
E Electricity gas and water	11.37	4.43	8.30	0.28	3.27	0.78	-7.40	12.97	
F Construction	6.41	4.79	0.22	2.45	9.08	2.85	-4.36	11.66	
G Wholesale and retail trade	-11.57	1.41	3.50	7.25	10.89	2.42	-2.54	9.76	
H Hotels and restaurants	-18.23	6.20	7.38	5.50	6.77	3.33	-9.68	7.09	
I Transport, storage and communications	8.37	5.21	8.10	7.65	5.24	6.23	2.02	6.50	
J Financial intermediation	3.82	3.30	3.47	-0.91	3.70	2.91	8.55	6.72	
K Real estate, renting and business activities	-4.89	2.25	2.97	5.19	3.64	0.77	3.72	5.27	
L Public administration and defence	36.85	3.85	3.67	5.53	5.04	8.84	2.52	9.64	
M Education	21.05	3.01	5.58	5.92	4.81	5.09	7.04	4.21	
N Health and social work	7.38	5.02	6.43	4.48	4.50	11.37	3.25	6.58	
O Other community, social and personal service activities	-8.62	7.11	6.36	4.79	4.77	12.52	3.67	5.88	
Agriculture, Forestry and Fishing	3.08	4.51	4.63	1.10	4.55	1.10	0.03	5.29	



	Non-Agriculture	-1.06	3.64	4.53	5.01	6.41	3.89	0.16	7.74
	Total GVA including FISIM	0.46	3.94	4.57	3.64	5.77	2.95	0.11	6.93
	Financial Intermediation Services Indirectly Measured (FISIM)	10.66	6.14	3.50	0.72	7.10	2.41	2.55	6.62
	Gross Domestic Product (GDP) at basic prices	0.16	3.85	4.61	3.76	5.72	2.97	0.01	6.94
	Taxes less subsidies on products	-0.47	-1.16	6.68	8.16	8.88	6.93	4.40	12.80
	Gross Domestic Product (GDP)	0.12	3.42	4.78	4.13	5.99	3.32	0.41	7.50

R = Revised/P = Preliminary

NSIC categories P and Q are included in category O.

Source: Ministry of Agriculture and Livestock Development (MOALD)

Due to low investment by the government in agriculture sector, Nepal is being backward not only in poverty alleviation, employment generation, food and nutrition security, and trade balance but also entirely in economic transformation of a nation. Although there are price inflation and less import of foods, and impacts of climate change, Nepal needs to focus on agriculture sector to make it competitive, professional and employment-oriented for poverty alleviation and food and nutrition security. One main thing is that Nepal has to take benefit from existing active population in this sector. But a huge mass of active population has been leaving the country every day, and as a result it has affected on availability of labor for agricultural activities.

A reality in front of us is that uncultivated land and declining interest of young generation towards agricultural-profession affect in its productions. It also harms and causes a situation of foods scarcity. Contribution of agriculture and forest sectors in GDP has been increasing. The contribution in a decade has been 4.58% in FY 2068/69 where as it was 3.01% in FY 2058/59. After that, its result seems quite different. The share in percentage has been 1.07, 4.54, 1.00, -0.19 and 5.25 in FY 2069/70, 2070/71, 2071/72, 2072/73 and 2073/74 respectively. The real scenario regarding to the contribution of agriculture and forest sector has been improved in last Fiscal year. The food is in saving condition entire the country, however, District wisely, it looks deficit in 33 districts. Based on the last agricultural census, 41 districts are facing the food deficit problem. It happened mostly in those districts belong to hilly and Himalayan areas. In detail, 10 Himalayan districts, 15 hilly districts and 8 Terai districts have food deficit whereas rest 42 districts are in food saving.

### 3.4. Foreign Trade

Internal problem of Nepal related to commercial field also causes ineffectiveness in foreign trade. Nepal has adopted a policy such as first one is to extend industrial development and another is to focus on agricultural sector. But these prioritized sectors' contribution in GDP is declining (Table 3). It is assumed that, economic activities of Nepal would get stepped along with establishment of Democracy (Loktantra). But the expectation and hopes do not appear as a thought of people.

Table 3. Export/ import situation of Nepal (Rs. in billion)

Fiscal years	GDP	Agriculture production	Contribution of Agriculture on GDP	Export	Import	Total Trade	Trade deficit	Export/Import
2065/66	988.27	409.987	32.54	68.6	291	359.6	222.4	1:4.2
2066/67	1192.27	514.871	35.00	60.9	375.6	436.6	314.6	1:6.2
2067/68	1366.95	623.303	36.68	64.5	397.5	462.1	332.9	1:6.3
2068/69	1527.34	665.747	34.82	74.1	498.2	572.3	424.1	1:6.7
2069/70	1695.01	702.132	33.40	77.1	595.6	672.7	518.5	1:7.7
2070/71	1964.54	782.868	32.16	90	709	799	631.42	1:7.9
2071/72	2130.15	822.811	31.27	86	784	871	697	1:9.1
2072/73	2247.43	858.600	31.13	71.15	781.15	852.3	710	1:11
2073/74	2599.94	924.720	28.89	73.1	990.15	1063.1	970	1:13

Source: Ministry of Agriculture and Livestock Development (MOALD)

In a decade of 1960/70, somehow, the export and import of Nepal looked in balanced condition. After that, import has taken its steps rapidly whereas export did not extend itself like import. As a result, trade deficit has been increasing. Table 3 has depicted the condition of GDP, contribution of agricultural sector in GDP, import and export below. If we analyzed the data given in Table 3, it could clearly show that a declining situation of agricultural production and a scenario of trade deficit. In FY 2065/66, GDP of Nepal was Rs. 988 billion. Likewise, a contribution of agriculture sector was 32.5%. At that period, export and import were 68 billion and Rs. 291 billion respectively. It pointed that trade deficit was Rs. 359 billion whereas a ratio between export and import was 1:4. In FY 2069/70, GDP was Rs. 1695 billion in which the contribution of agriculture was 33.4%. At that time, trade deficit was Rs. 518.5 billion. It means that export and import ratio has been 1:7. Similarly, in FY 2070/71, GDP was Rs. 1964.5 billion in which agriculture contributed 32.16%. In that year, trade deficit was Rs. 631.4 billion or export and import ratio was 1:7.9.

Likewise, in FY 2071/72, GDP was Rs. 2130.15 billion in which agriculture contributed 31.27%. In that year, trade deficit was Rs. 697.0 billion. It indicated that export and import ratio reached 1:9. Fiscal Year 2072/73 pointed that GDP of that year was Rs. 2247.43 billion in which contribution of agriculture sector limited in 31.13%. At that period, total amount of foreign trade was Rs. 843.72 billion whereas a share of export was Rs. 70.1 billion or 8.3% and share of import was Rs. 773.6 billion or 91.7%. Trade deficit of that year was Rs. 703.5 billion and ratio of export and import was 1:11. Similarly, in FY 2073/74, GDP was Rs. 2599.94 billion in which contribution of agriculture sector limited in 28.89%. In that year, export was Rs. 73.1 billion and import was Rs. 990.15 billion. As a result, trade deficit became 631.4 billion. It means that trade deficit ratio turned into 1:13. Fiscal year 2074/75 pointed that total foreign trade was Rs. 1324 billion in which a share of export was 81.19 billion or 6.1% and share of import was Rs. 1243 billion or 93.9%. Such situation showed that trade deficit became Rs. 1161.6 billion and ratio of trade deficit was 1:16. That amount of trade deficit was quite higher than the budgetary expenditure of development sector spent by government.

Analyzing the data concerned to last decade, it is found that contribution of agriculture in GDP has been decreasing as well as trade deficit has been increasing. It notices that due to decreasing condition of agriculture sector, food items have been imported from

the other countries. Of the total population, 40% people are facing the problem of food lacking, and they are spending their life having inadequate quantity of food every day. Consequently, 39% children below 5 years are in malnutrition. 13% inhabitants of Terai areas are facing a problem of food inadequacy whereas 16% in hilly areas and 30% in Himalyan people have the same problem. Real farmers of Nepal do not have plenty of land. In another words, 54% farmers have only 0.5 hector land or they very less land ownership. It means that those who accept their profession as a farmer do not have land ownership. In reverse manner, those who owned the land do not cultivate the land and turn it into barren or unproductive land.

On the same way, distribution of development infrastructure pointed that each 100 Sq. km. of Terai areas has 11.6 km road whereas hilly areas has 10.5 km. and Himalayan has 2.4 km. Such a pattern of development has also generated barriers in agricultural production to make them access with markets. In 1997 AD, after the serious food deficit, long-run plan regarding to agriculture sector was taken in execution. After that, in FY 2003.04, food saving was increased and it was 213 thousand metric ton. But, lacking of seriousness in implementation causes instability in food saving. To overcome such food deficit, more than one thousand million rupees has been annually spent to import foods, vegetables and fruits from foreign countries including India.

District wise analysis indicated that 33 districts are unable to fulfill their needs by their own production. Such situation seems more in those districts belong to hilly and Himalayan areas than the districts of Terai areas. Although some districts of Terai areas have food deficit, it looks very less sensitive and shorter than the deficit having in the districts of hilly and Himalyan areas. In a Comparative way, Himalayan and hilly districts are, geographically, weak in nutritious food whereas Mid-western and Far-western regions are very weak in nutritious food regarding to their development evolution. Concerning to nutrition, out of the children below 5 years, 41.5% is shorter than their age and 31.1 has less weight than their age. Although, agriculture profession has a prominent role in food security, the existing cultural perception does not respect it. But 71% population depends on agriculture. However, of the total depending population, 83% has taken it as their main profession, 60% does not have adequate foods. In addition, due to the lack of modernization and instruments in agriculture sector, food dependency has been raising and as a result it uplifted trade deficit. It points that Nepal has to see other countries' face to overcome from food deficit.

## **7. Conclusion**

Trade deficit of Nepal is growing intensively every year. To make balance on foreign trade, Nepal must increase export trade and reduce the import trade. Agricultural field is one of the key fields for reducing the trade imbalance. The political scenario should be stable, power shortage problem should be resolved and infrastructure development should be developed. Investment policy should be made easy and attractive to bring the domestic and foreign investment. To keep balance, agricultural production plays a vital role. That's why, for the development of agriculture field, concerning policy and programs of this sector and pattern of foreign trade should be revised and reformed by the diversification, modernization, instrument-focused agriculture system, which could help to reduce trade deficit and keep it in certain limitation. enhancing competency and expertise about comparatively benefited goods and services, an effort for agricultural production and for its value chain should be adopted to replace import. To mitigate the impacts of climate change by developing and exploring agricultural

technology along with the activities of concerned to bio-diversity. If the active population attracted towards this profession by introducing modernization in agriculture sector, it could increase agricultural production and replace food import.

## References

- Adhikari, C. (2017). *Federal Nepal Economy*, Rastriya Economic and Development Council Nepal.
- Arsyad, M., Heliawaty, Y. Kawamura, S. Yusuf (2018). Agricultural Development-Marketing Networks: Is Tengkulak truly Enemy of Smallholders in Indonesian Rural Area?. *Int. J. Agr. Syst*, 6(1):60-67.
- Basyal, T. R. (2011). Nepal's Economic Growth Rate in the Context of Absorption, Trade Imbalances and the Fixed Exchange Rate. *Banking Journal*, 1(1), 1-13.
- Datta, Samar K., Milindo Chakrabarti, S Chattajcc and Madalasa Gandhi (2001), "Composition of India's Agri-Imports: Changes in the post-reforms period" in Samar K Datta and Satish Y Dcodhar (cd.), *Impact of WTO Agreements On Indian Agriculture*, CMA, LIMA, Ahmedabad.
- Edwards, Sebastian. (1998). Openness, productivity and growth: What do we really know? NBER Working Paper 5978.
- FICCI, (2016). Trends in the India's Foreign Trade, FICCI Research May 2016.
- Gardner G. (2015). Food Trade and Self-Sufficiency World watch Institute
- Kehar, S. and Inder, S., (2003), Prospects of Agricultural Exports of India: A Composite Index Approach, *Indian J. Agric Econ.*, Oct-Dec, 5&4: 781-799.
- Lewer, Joshua J., and Hendrik Van den Berg. (2003). How large is international trade's effect on economic growth? *Journal of Economic Surveys* 17, no 3.
- Mustafa Kahya (2011), An analysis of the relationship between foreign trade and economic growth in Turkey over the period 1980-2009, School of Economics and Management, LUND UNIVERSITY
- NRB (1987) import and export function of Nepal, Nepal Rastra Bank, Baluwatar Kathmandu
- Nepal Census, (2008), published by Center bureau of Statistics of Nepal.
- Nuddin, A., M. Arsyad, M.I. Putera, N. Nuringsih, T.T. Teshome (2019). Making the case for institutional support on designing agroforestry technology models for rehabilitating critical lands. *Forest and Society*, 3(1):49-63.
- Panchamukhi, V. R (1986), "Trade in Agricultural Commodities-Analysis of the period 1960 - 1985" in M. L. Dantwala. (ed), *Indian Agricultural Development Since independence, A Collection of Essays*, Oxford and IBH Publishing Co. Pvt. Ltd., New Delhi.
- Prakash B., Sushila S. and Lal, S., (1995), Impact of New Economic Policy on Export of Agricultural Commodities from India, *Indian J. Agric. Econ.* 50(3): 36-39.
- Phykurel.B. (2007). Capacity Development in Federal State. Road map of Nepal Economic Growth.
- Prasai Laxmi Prasad (2014). Foreign Trade Pattern of Nepal: Gravity Model Approach, NRB Working Paper No. 21, Nepal Rastra Bank, Baluwatar Kathmandu
- Piketty. T (2013), *Capital in the twenty first Century*, published by Harvard University
- Rahmadanih, S. Bulkis, M. Arsyad, A. Amrullah, N.M. Viantika, (2018). Role of Farmers Group Institutions in Increasing Farm Production and Household Food Security. *IOP Publishing*, 157(1).
- Rajkumar and Varsha, D., (2013), Growth and Performance of India's Agriculture Exports, *International J. 360o Mgt.* 1(1), ISSN: 2320-7132.

- Shameek, M. and Sahana M., (2012). Overview of India' Export Performance: Trends and Drivers, Indian Institute of Management, Working Paper No. 363.
- Sharma, O., & Bhandari, R. (2005). Foreign Trade and Its Effects on Nepalese Economic Development. The Journal of Nepalese Business Studies, Kathmandu.
- Sharma R., Kumar Anjani and Joshi P.K. (2017). Nepal-India Agricultural Trade: Trends, Issues and Prospects, Agricultural Economics Research Review Vol. 30 (No.2) July-December 2017 pp 245-263 DOI: 10.5958/0974-0279.2017.00046.5