
1.1.1. To understand the significance of this problem to the Nepalese Economy it is first necessary to have an insight into the Nepalese economy. The data on Nepalese economy have been presented in detail in the next Chapter (Chapter II). Further it is also necessary to understand the agricultural development strategy adopted by Nepal. This aspect also has been dealt at great length in Chapter II. The problem of fertilizer and fertilizer marketing occupies a very important and critical place in the strategy of agricultural development and welfare of the people of Nepal. This has been brought out in the ensuing paragraphs.

1.1.2. Character of Nepalese Economy:

Nepalese economy is predominantly agricultural. Agriculture provides part-time or full-time employment to 91% of the work force of the country,
contributes 59.56% to the G D P of the country, is the principal source of savings, investment and exports and provides food security to the masses of the people. Since the economy is predominently agricultural, highest priority must be accorded to agriculture in the development plans and policies of Nepal. Consequently Nepalese planning places heavy emphasis on agricultural development of Nepal and special efforts are directed towards identifying the main variables involved in increasing agricultural output and the combining of the variables in the most advantageous manner. Also the Nepalese Government and planners are keenly aware of the nature of Nepalese topography and its implications. The fact, that 70% of the total land area of the country is mountainous and consists of a series of isolated valleys and districts and a number of separate and unconnected agricultural economies and the lack of development of adequate transport facilities which leaves many districts isolated and inaccessible have serious implications for planning. This situation is further aggravated by the regional imbalance in distribution of population and natural resources. Consequently
there are significant disparities in regional productivity, income and employment, in availability of agricultural inputs and most important in the per capita availability of the principal food grains viz. rice, wheat, maize and millets. At a result eventhough Nepal as a nation is surplus in food, many districts in the Hills and the mountainous region suffer from chronic food shortages and in remote and inaccessible areas people eke out an existence on the verge of starvation, particularly in years of low productivity and depression. These realities have to be taken into account in the planning and development of the agricultural strategy for the country and its various regions.

1.1.3. Main problems of Agriculture and the Strategy of Agricultural Development:

As has been indicated by Shri Y. P. Pant and S. C. Jain in their book "Agricultural Development of Nepal" there are today six major problems facing Nepalese agriculture viz.:

1. Low agricultural output and growth rate.
2. Lack of incentive to increase agricultural output.
3. Defects in agrarian structure and institutional deficiencies.
4. Acute shortage of agricultural inputs.
5. Low rate of investment in land improvement.
6. Difficulties in transporting the surplus food from Tarai to the deficit Hill districts of the country.

To develop agriculture on a sound footing it is necessary to solve these six problems satisfactorily and create conditions for modernisation and expansion of agriculture on scientific basis.

1.1.4. **Strategy of Agricultural Development**:

Development of agriculture is the key to the development of Nepal. For agricultural development will not only contribute to higher output, employment, income and savings but will also provide added food security and initiate a multiplier effect for expansion of national income. Hence there is an urgent need for rapid growth of agriculture. None-the-less, HMG of Nepal has deliberately opted for a strategy of gradual and steady growth of agriculture and has avoided undertaking crash programmes for rapid and accelerated
expansion and growth of agriculture. The choice is based on a realistic assessment of the prevalent situation and the time needed to bring about significant changes in the economy. In fact, the government is fully aware that mere expansion of agriculture and improvement in agricultural productivity will not solve the problem unless the problem of regional imbalance in population and food supply is corrected through transfer of population and capital resources from agriculture to other sectors and from Hilly and Mountainous regions to the Tarai region. This cannot be achieved rapidly and over-night and needs to be rectified slowly through long term policies. Further, the Government is fully conscious that to transform and modernise agriculture it is necessary to:

(a) Correct defects in the agrarian structure and create an institutional framework for provision of credit, for marketing, for teaching, research and extension and for transfer of technologies.

(b) Arrange for adequate and timely supplies of agricultural inputs, credit and irrigation facilities.
(c) Provide incentive for production through pursuit of appropriate credit, marketing, transport, pricing and subsidisation policies.

Changes of this nature can only be brought about gradually and through structural changes in the economy and through the development of an appropriate organizational and institutional framework. Thus the choice of strategy adopted by the Government is both wise and pragmatic and has a real chance of success if implemented faithfully and realistically.

While the process of changing the agrarian structure, building up a suitable institutional framework, evolving policies conducive to agricultural growth are being pursued relentlessly and simultaneously, the immediate emphasis is placed on the strategy of ensuring adequate and timely supplies of agricultural inputs. In this strategy fertilizer plays an important and crucial role. Supply of chemical fertilizers to the farmers and encouraging them to use it is an important plank in the new agricultural strategy.
1.1.5. Impact of Chemical Fertilizers:

One of the principal features of the Nepalese agricultural economy is the mono-culture of rice. As a result, in the absence of adequate irrigation facilities and manuring, the soil is being progressively impoverished and depleted of nutrients. This trend can be halted in the short run by the application of chemical fertilizers to restore nutrient levels of the soil. In the long run chemical fertilizers can enrich the soil and contribute to steady gains in productivity of agriculture if it is combined with appropriate passage of agronomic practices covering improved seeds, manuring, irrigation facilities, fertilizers, pesticides and modern cultural and harvesting practices. Further, the use of chemical fertilizers in areas and districts of chronic food shortage will lead to higher agricultural output in those areas thus ensuring greater food security to the population of those areas. Hence chemical fertilizers will prove a boon to the Hill cultivation. Also improvements in agricultural production will ipso facto lead to higher income, employment and savings and will initiate the income multiplier effect. Hence, fertilizer constitutes an
important and crucial element in the strategy of agricultural development. Marketing of fertilizers is important, because it ensures adequate and timely availability of chemical fertilizers to the farmers and thus ensures effective use of fertilizers particularly in consonance with appropriate pricing, promotion and subsidisation policies. Hence the study of fertilizer marketing management in Nepal will be an extremely valuable study if it contributes to analysing the marketing efficiency and costs and helps to improve the marketing efficiency and reduce the marketing costs of chemical fertilizers.

1.1.6. Impact of Long Open Border With India

Nepal has a 800 km long open border with India and border trade is a common feature of the Nepalese economy. However, because of the open border the Nepalese and Indian markets are well integrated and the Indian market wields considerable influence on the Nepalese market in the border region of Tarai. This has been dealt with in Chapter II Section 2.6. None-the-less it is pertinent to record here that as a result of this border trade agricultural deficits
and surpluses and the regional food and fertilizer imbalances are further intensified. This has important implications for fertilizer marketing, pricing, subsidisation and consumption. This has been brought out effectively later in Chapter V. Section 5.5. Here we would only like to note the reality of the border trade and its implications for the Nepalese economy, particularly the fact that its influence on regional food balance and fertilizer use have not been sufficiently recognised by the Central Planners. The present study has made an important contribution by bringing out effectively the influence of Indian border trade on Nepalese food supply and fertilizer consumption.

1.2. Delimitation of the subject:

1.2.1. The present study covers all aspects of fertilizer marketing management in Nepal. National and regional statistics covering both the ecological and the development regions have been presented and analysed.

1.2.2. However, the data covered pertains to the period 1970-71 to 1984-85. This is because the impact of two decades of planning preceding this period became really
visible and measurable during this period and also systematic and reliable official data is available for this period in a form which makes them meaningful and significant.

1.3. Objectives of the Study:

1.3.1. To study, evaluate and suggest remedial measures to improve the existing system of fertilizers marketing management in Nepal.

1.3.2. To study, inter alia, problems and policies of marketing fertilizers at the national, regional as well as at the village level.

1.3.3. To study further:

1. The theoretical potential for fertilizer consumption.

2. Trends in the demands for the supply of chemical fertilizers.

3. The economics of fertilizer use.

4. Fertilizer pricing, and subsidisation.

5. Fertilizer credit.

6. Fertilizer Distribution System and Marketing Costs.

7. Fertilizer Adoption and Promotion.
1.4. Sources of Data:

1.4.1. Secondary Sources:

Literature on the Nepalese Economy is rather scanty. Systematic research on various facets of the economy and its institutions based on field investigations, has not yet reached a mature stage. Consequently heavy reliance has to be placed on secondary sources of data. We have furnished in the bibliography to this thesis the list of books, list of articles from periodicals, and list of official publications which were found useful in the preparation of this study and contributed either data, or insight or valuable analysis and views pertaining to either the Nepalese economy or the problems of fertilizer marketing management in Nepal. The present study is based on analysis of data available from these secondary sources.

1.4.2. Primary Sources:

The Author Carried out a field investigation of limited scope primarily to focus attention on the problems of marketing and physical distribution of fertilizers and the inter-action between the farmer and the agency supplying fertilizer at the village level.
A complete report on this investigation has been furnished in Appendix 1 and 2. The results of the field investigation have been selectively used and quoted in the thesis at appropriate places.

1.4.3. Data Limitations:

The system of Statistical Record and Reporting has not as yet reached a stage of perfection and reliability needed for research work. They are also not available in a sufficiently disaggregated form. Also the units of weights and measurements used vary from region to region and make regional comparisons difficult if not impossible. Further in the absence of good primary statistics, compilation of national aggregates looses much of its meaning and significance. Nonetheless we have relied on whatever "official" statistics are available for our analysis, and presented the data in as disaggregated a form as is possible.

1.5. Methodology:

1.5.1. Data Base:

This study is based mainly on desk-research supplemented by primary data collected by the Author through field investigation a report on which is appended to this thesis (See Appendix 2).
1.5.2. **Orientation of the Study**: 

This study has been guided throughout by the concepts and principles of marketing management. To begin with it is recognised that marketing systems exist at two levels, namely, Macro and Micro and the problems, policies and strategies of marketing management vary for the two levels. Macro level marketing is concerned with designing an efficient (in terms of resource utilisation), and fair (in terms of equitable distribution of product) system which will direct the flow of goods and services from producers to consumers and accomplish the objectives of the economy. The Micro level marketing is the performance of business activities which direct the flow of goods and services from producer to consumer or user in order to satisfy customers and accomplish the firm's objectives. This study evaluates marketing management and its efficiency at both these levels. The efficiency of fertilizer marketing management at the Macro level has been judged with reference to its cost effectiveness (efficient utilisation of resources), social justice (equitable distribution of fertilizers), and accomplishment of the objectives of the economy (food security, modernisation of agriculture). The efficiency
of the fertilizer marketing management at the micro
level has been judged with reference to the marketing
costs per metric tonne of the product, profitability
of the marketing agency and survival of the units
engaged in fertilizer distribution.

1.5.3. Economic System:

This study also recognises the fact that irres-
pective of the prevailing economic system - capita-
listic, centrally planned or mixed - every economy
needs a marketing system and that the criteria of
judging the marketing system and marketing management
system may however differ in some respects. For
instance, while the criterion of efficiency (optimum
utilisation of resources) is common to all the eco-
nomics, the criteria of social justice (equitable
distribution of product) and objectives of the
economy differ notably, from system to system. We take
note of the fact that Nepal has a mixed economy and
that marketing of chemical fertilizers is a state
monopoly administered through the Agriculture Inputs
Corporation - a public sector enterprise. Also the
marketing strategy may differ from one economic system
to another though the marketing functions continue to
remain the same under all economic systems.
1.5.4. Market Orientation:

As a result of historical accident the market for chemical fertilizers in Nepal became product oriented initially. Though attempts are being made to make it market oriented the attempts have not been fully successful. So what has happened is that marketing is not market oriented i.e., not beamed at a particular target group or market segment. The implications of this for fertilizer marketing management have also been examined in this study.

1.5.5. Marketing Decisions And Strategies:

Since this study emphasises fertilizer marketing management attention is focussed on Decision Making, Decisions and strategies of fertilizer marketing. However, these decision are made not in a vacuum but in an environment which is the framework for decision making. The framework consists of both controllable and uncontrollable variables. These have been identified and depicted in Figure 1.1. This study focusses on both the controllable and uncontrollable variables and their significance for fertilizer marketing management in Nepal.
FIG 1.1. THE FRAMEWORK FOR MAKING MARKETING DECISIONS
1.5.6. Other Aspects of Study:

This study also presents a clear picture of fertilizer marketing system, marketing channels and institutions, physical distribution system, marketing costs and functions, supporting services such as market research, marketing information, promotion, Advertising, marketing credit etc.

1.5.7. Marketing Strategies:

Special attention has been paid in this study to the problem of marketing strategies and the marketing mix. Thus the study is wholly oriented to the concepts and principles of marketing management as applicable to the problem of fertilizer marketing in Nepal.

1.5.8. Consumption and Use of Fertilizers:

Since the customer is the main focus of the marketing effort, detailed attention has been paid to the study of the needs of the consumers of chemical fertilizers.

1.6. Review of Literature:

As was mentioned earlier in para 1.4.1, the literature on Nepalese economy is rather scanty. The literature is scantier when it comes to fertilizer marketing
system and its management. To bridge this gap in data, the services of eminent foreign experts attached to International Agencies were retained as consultants by HMG of Nepal. The reports submitted by these experts throw valuable light and provide deep insight into the problems of marketing, distribution and use of fertilizer and the related policies and strategies. We have relied heavily on three such reports listed below:


3. J. M. Thapaliya and G. P. Sharma, "Fertilizer Supply, use and Requirements in Nepal" (Mimeo) - A paper presented at the National Workshop on Fertilizer Use and Marketing in Nepal, jointly organised by the Agriculture Inputs Corporation, Nepal and the Food and Agriculture Organization (FAO),

Also books and articles published by Nepalese, Indian and other foreign scholars and research experts based on the data collected by them through field investigation have also been selectively used. However, the main source of statistical data has been the official reports and publications of Nepalese Government and other official organizations such as Nepal Rashtra Bank and Agriculture Inputs Corporation, and the Central Planning Authorities. A bibliography of such books, articles and official publications has been furnished at the end of this thesis. The data in these has been selectively supplemented by primary data collected by the Author through field investigation (See Appendix - 2).

1.7. Description of Chapter Arrangement:

This thesis has been divided into nine Chapters for convenience of presentation and analysis. The Chapter arrangement and contents are as follows: