

CoE – CASA Programme – Nepal

Improving Competitiveness of Export-oriented Agri-SME through Better Factory Capacity Utilisation

Satya Herbal and Spice Products Pvt. Ltd., a medium-sized company that processes valuable Medicinal and Aromatic Plants (MAP), seeks to capitalize on the growing market demand for processed MAPs and build trade relations with the European market for MAP. For this, the company plans to increase production, improve product quality, and strengthen its marketing. With investments already made by the company in machinery and infrastructure, CASA saw an opportunity to support Satya to achieve their goal by increasing firm capacity and competitiveness and hence, partnered with the company under the CoE intervention.



Challenge

Nepal's potential for further developing its MAP industry remains largely untapped, mainly due to lack of knowledge on international demand, quality requirements, and client networks at the firm level. MAP enterprises are characterized by small-scale SMEs/traders that primarily compete in the raw and unbranded segment of MAP that offer low profit margins. As a result, these small-scale companies are reluctant to invest in processing and value addition, serving premium clients, despite the demand and growth opportunities. Satya faced a similar challenge, competing in the raw and unbranded MAP which gave them a high degree of global competition with low profit margins. It was near impossible for Satya to compete with regional wholesalers in India that have higher bargaining power due to the lack of recognition of Nepali brands. Instead, exporting branded and processed MAP to European countries fetched the company better margins and low competition as other local traders had less knowledge of the international market. As Satya plans to scale-up, the company seeks to lead the export market in Nepal by tapping into raw, semi-processed and fully-processed MAP and further penetrating the European market. However, using the Porters Value Chain, CASA further identified constraints for Satya such as insufficient supply chain with lack of technical knowledge among farmers, maintenance of product quality and processing skill, required international certifications and marketing/client building, which may pose as challenges for the company growth.

Value-add of the COE model

The interventions designed under CoE were more focused on enterprise development with improving competitiveness and productivity at the core of every design. CASA's regular interventions were either value chain specific (Dairy or Vegetable sectors), crisis management (Ukraine/Russia war), research or policy based. For the CoE interventions, more emphasis was given on developing and determining firm-level indicators under competitiveness and productivity, such as increased production capacity, turnover, investment in human resources, wastage, customised to the selected company. Most of these indicators were completely new and different than the ones used in regular interventions. Additionally, CASA utilised Porter Value Chain for CoE interventions to assess the progression of activities and identify gaps that hinder business growth or vision. All five primary value chain activities – inbound logistics, operations, outbound logistics, marketing, and sales and service were taken into consideration and intervention activities were designed based on them.

Outcomes & Impact

- Acquisition of GBP 275,000 investment through debt financing for factory upgrades, increased production, and raw herb and spice procurement
- Satya generates additional revenue of GBP 137,000 through increased production and sales by 2024
- Satya provides employment opportunities to ten additional staff to increase production
- Satya initiates export to three new countries in the European region by 2024
- Satya increased total MAP collection by 4,500 MT and increase overall production by 40%
- 1,000 smallholder farmers in Satya's supply chain will receive post-harvest and product handling training
- 500 new smallholder farmers will be incorporated into Satya's supply chain
- 1,000 farmers (50% women) will benefit with additional annual net income of GBP 80 over six months

Key activities

- In-bound logistics: TA to support increase in MAP quality and procurement volume
 - Farmer training on sustainable production and handling of herbs
 - Engage an expert to aggregate new farmers into supply chain
- Production/Operations: TA to support production increase
 - Support to leverage third party investment by engaging business consultant to develop business plan, financial projections and required documents. **Secured debt financing of GBP 290,322 for factory upgrades and processing**
 - Engage international MAP expert for quality production and to transfer knowledge to production staff. **Initiated Silajit purification plant and process**
- Sales and marketing: TA to improve buyer networks and market positioning
 - Website development and operationalization to reach new market destinations and clients. **Completed and launched**
 - Access to online trading platforms to enable access to global network of potential clients
 - Product marketing and packaging support to improve brand positioning. **Brand design for packaging completed**
 - Support to acquire Organic, ISO, HACCP and GMP quality certifications to ease export access. **Undergoing audit for Organic, ISO and HACCP certifications**