**Situation Report on Nepal’s Agrifood Systems**

**October 2023 | Bulletin Number 11**

**Key messages**

**Overall assessment:** For both food and non-food items, Nepal registered the highest Consumer Price Inflation (CPI) in September 2023. The annual rate of inflation for food and beverage prices was 8.2 percent. Year-on-year inflation is primarily caused by increases in food and beverage prices (9.7 percent) than increases in non-food and service sector prices (7.0 percent). Further, year-on-year increase in food and beverages price was the highest in mountain region with 11.3 percent in September 2023.

**Cereal prices continue to rise:** The price of cereals and their products increased 13.4 percent in September 2023. Since, Nepal imports more than 90 percent of its total paddy import from India, limitation of export quota followed by increased export duty from India in July led to increase in price of cereals in Nepal. However, the Government of India has permitted to export 95 thousand tons of non-basmati rice to Nepal[[1]](#footnote-2) and with the onset of rice harvesting season, the price is expected to decline. In contrast, the price of ghee and oil in September declined by 13 percent compared to the previous year.

**Macroeconomic trends and implications for household economic welfare**

**Key messages**: Inflation rate has hit the maximum of 8.2 in September 2023 compared to past 10 months. The increase in the inflation rate is due to the increase in prices of food grains, especially the cereals and food grains.

**Inflation:** In September 2023, Nepal's Consumer Price Index (CPI) showed 8.2 percent inflation, it was up by 0.8 percent compared to previous month. An increase in inflation appears to be driven by an increase in food and beverage prices. Hence, this increase in the price can reduce the purchasing power of households for essential food commodities. Similarly, year-on-year food price inflation increased from 8.2 in September 2022 to 8.9 percent in September 2023. The high cereal prices especially rice and wheat flour over the year can hamper the rural households’ ability to consume adequate quantity of diets.

**Remittance inflows:**  Nepal has received remittance of Rs 228 billion (USD 1.7 billion) from Mid- July to Mid-October 2023 which was an increase of 22.1 percent. The remittance inflow during the corresponding period last year had increased by 19.8 percent. In US dollars terms, the remittance inflow grew by 17.7 percent to reach US dollar 1.7 billion. The number of Nepalis taking labor permit for foreign employment from mid-July to mid-September 2023 has decreased by 28.3 percent and remained 74,455. Similarly, the number of Nepalis renewing their work permit for foreign employment was 32,004, a decrease of 18.3 percent. The increasing remittance even though there is a decline in renewing citizen is partially contributed by increasing exchange rage of dollar against Nepali currency.

**Migration Status of FtF ZOI**

In August 2023, a comprehensive field survey of market, household food production, consumption and disposal pattern was carried out in five provinces covering nine districts. The survey was conducted to solicit information on the market prices of agricultural food commodities as well as household production and consumption of food. Preliminary analysis of market data follows the similar trend as of provincial and national price of rice and wheat for August 2023.

The preliminary findings of the survey indicate that 20.1% of the households have at least one member living abroad (other than India). By and large all rural households are associated with agriculture. Across provinces, Sudurpashchim Province had the highest incidence of migration (43.5%), while Bagmati Province had the lowest (4.9%).

**Recent price fluctuation in food commodities and agricultural inputs**

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| --- |
| **Rice and wheat** |

**Key messages:** The price of rice in Nepal was relatively stable for the month of August 2023. However, year-on-year inflation was the highest in Sudurpashchim Province with 35.2 percent.

**Rice:** In August 2023,the price of both medium grain rice and coarse rice in Nepal was relatively stable following a sharp rise in previous month. The medium grain rice in Nepal and Western Province declined marginally in the month of August 2023 than previous month. In contrast, the price of coarse rice in Nepal increased by 1.1 percent than a month before. At the provincial level, Sudurpashchim Province recorded the highest spike in the price of both coarse rice (39.9 percent) and medium grain rice (30.6 percent). Since Sudurpashchim Province is one of Nepal's most food insecure provinces, an increase in rice prices will impact the food intake of the poor population. The annual demand of rice in Nepal is 4 million tons of which more than 90 percent is imported from India. The high price of rice in Nepal compared to India which was further triggered by the export ban of non-basmati Rice, there are reporting of more than 111.2 tons of contraband rice flows from India to Nepal[[2]](#footnote-3).

Figure 1: Price trend of Rice in Western Province and Lucknow, India from October 2022 to July 2023

Source:Humanitarian Data Exchange, World Food Programme (2023)[[3]](#footnote-4)[[4]](#footnote-5)

**Wheat flour:** Wheat flour at the national level increased marginally in the month of August 2023 than a month before. Likewise, the increase in the price of wheat flour in August 2023 was higher in Western Province than national average. Since the price of wheat flour increased significantly in July 2023 at national level, the price increase in August 2023 was comparatively stable. Due to international conflicts and the ban on Indian wheat export, the world's wheat supply has changed, driving up the price of wheat flour at the national level from NPR 69 per kilogram in August 2022 to NPR 89 per kilogram in August 2023. Similarly, the cost of wheat flour in Western Province increased from NPR 67 (August 2022) to NPR 93 per kilogram (August 2023). Across provinces, the price of wheat flour remained relatively stable with the highest increase of 3.6 percent in Koshi Province than the previous month. Conversely, the price of wheat flour in Madesh Province lowered by 1.8 percent in August 2023 than a month before.

# Selected horticultural and fruit products

**Key messages:**

**Fruits**

The price of apple and banana in Nepal declined by 21.9 percent and 3.5 percent respectively in August 2023 than July 2023. The decline of the price of apples was even higher in Western Province with 39.1 percent in August 2023 than a month before. With the onset of harvesting season, the price of apples is further speculated to decline. Year-on-year price of apple increased by 14 percent in August 2023 at National level while the price of apple in Western Province increased by 11.2 percent. Jumla being one of the apple producing districts in Karnali Province, the highest decline in the price of apple by 70.6 percent was observed in August 2023 than a month before. Similarly, Madesh Province recorded the highest decline in price of banana (20 percent).

# Potato

In August, the price of potatoes decreased slightly both nationally and in Western Province compared to the previous month. In Nepal, the cost of potatoes rose by 1 percent annually, while in the Western Province, it increased by 2.2 %. In comparison to cereals, the price of potatoes tends to be stable.

# Tomato

In August, the price of tomato increased by 7.3 percent nationally while the price of tomato declined in Western Province by 6.1 percent in August 2023 than a month before. The decline in the price in Western Province was contributed by the highest decline of 8.0 percent in Karnali Province. Similarly, the price of tomato surged from NPR 123 (July 2023) to NPR 132 (August 2023) is contributed by the highest hike in the price by 42.5 percent in Bagmati Province. Since tomato is climacteric food, there was a significant provincial variation in price.

# Edible oils

**Key messages:** The price of edible oils (mustard oil and soybean oils is in declining trend in Nepal which is likely be contributed by India’s policy of levying 5.0 percent Krishi Kalyan Tax during export to Nepal stimulating domestic price competition.

**Price variation:** While the price of mustard oil increased by 4.6 percent and 3.7 percent in Nepal and Western Province respectively, the price trend of soybean oil declined from July 2023 to August 2023 both nationally and in Western Province. In Western Province, the price of mustard oil dropped from NPR 355 (August 2022) to NPR 312 (August 2023) and nationally from NPR 348 (August 2022) to NPR 288 (August 2023). In August 2023, Gandaki Province recorded the highest annual decline in mustard oil by 30.7 percent, while Bagmati Province observed the largest annual decline in soybean oil by 31.2 percent. The poor household must have benefited from this decline in edible oils.

# Agricultural inputs

**Key messages:**

**Fertilizer price:** Field data from the USAID Feed the Future implementing partners reported that the price of urea ranges from NPR 20 (USD 0.15) to NPR 23 (USD 0.17) per kilogram, DAP from NPR 49 (USD 0.37) to NPR 54 (USD 00.41) per kilogram and potash from NPR 20 (USD 0.15) to NPR 40 (USD 0.30) per kilogram in October 2023. In October 2023, the price of urea and potash declined by 1.6 percent and 8.1 percent than a month before whereas the price of DAP remained relatively stable.

# Energy

**Key messages:** In October 2023, Oil Corporation has decreased per liter petrol price from NPR 180.5 (USD 1.36) to NPR 169.5 (USD 1.27) in Nepalgunj and Dhangadi districts of Sudurpashchim province while the price of per liter petrol in Kathmandu is NPR 172 (USD 1.29). Similarly, the per unit price of diesel in Nepalgunj and Dhangadi decreased from NPR 170.5 (USD 1.28) to NPR 165.5 (USD). The price of same diesel is NPR 2.5 (USD 1.24) expensive in Kathmandu. The declining rate from Indian Oil Corporation is the reason for declining petroleum price in Nepal.

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**Data sources**

Data sources for this brief includes the World Food Program for food prices, [Nepal Oil Corporation (noc.org.np)](https://noc.org.np/) for fuel prices, the Nepal Rastra Bank for the CPI, budget shares from Ministry of Finance, remittance flows, and other macroeconomic data. The field reports provided by USAID/Nepal’s Nepal Seed and Fertilizer (NSAF) and KISAN II Activities.

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**Annexes**

Annex I: Percentage change in commodity price (NPR/Kg) in Nepal.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Commodity** | **Western Province** | | | | | **Nepal** | | | | |
| **August 2022 (NPR)** | **July 2023 (NPR)** | **August 2023 (NPR)** | **August 2022- August 2023 (percent change)** | **July 2023 to August 2023 (percent change)** | **August 2022 (NPR)** | **July 2023 (NPR)** | **August 2023 (NPR)** | **August 2022- August 2023 (percent change)** | **July 2023 to August 2023 (percent change)** |
| Rice (coarse) | 56.8 | 67.3 | 66.0 | 16.3 | -1.9 | 54.6 | 62.7 | 63.4 | 16.3 | 1.1 |
| Rice (medium grain) | 87.8 | 98.0 | 97.2 | 10.7 | -0.8 | 78.0 | 88.7 | 88.3 | 13.2 | -0.5 |
| Wheat flour | 67.2 | 90.3 | 92.9 | 38.2 | 2.9 | 68.8 | 87.8 | 89.3 | 29.7 | 1.6 |
| Apples | 197.9 | 361.1 | 220.0 | 11.2 | -39.1 | 241.5 | 353.3 | 275.9 | 14.2 | -21.9 |
| Bananas | 171.0 | 169.5 | 165.8 | -3.1 | -2.2 | 154.5 | 148.5 | 143.3 | -7.2 | -3.5 |
| Tomatoes | 116.1 | 136.5 | 128.2 | 10.4 | -6.1 | 99.3 | 122.6 | 131.5 | 32.4 | 7.3 |
| Potatoes | 49.7 | 51.7 | 50.8 | 2.2 | -1.8 | 51.4 | 52.8 | 51.9 | 1.0 | -1.7 |
| Pumpkin | 80.4 | 67.2 | 60.6 | -24.6 | -9.9 | 70.5 | 63.6 | 64.1 | -9.0 | 0.8 |
| Carrots | 124.1 | 134.1 | 140.9 | 13.5 | 5.0 | 128.1 | 127.3 | 135.7 | 5.9 | 6.5 |
| Cabbage | 59.9 | 55.8 | 58.9 | -1.7 | 5.6 | 63.0 | 47.4 | 57.9 | -8.1 | 22.1 |
| Lentils (broken) | 188.0 | 188.2 | 189.3 | 0.7 | 0.6 | 175.6 | 170.6 | 172.8 | -1.6 | 1.3 |
| Beans (black) | 193.3 | 192.8 | 197.7 | 2.3 | 2.5 | 180.7 | 191.1 | 197.7 | 9.4 | 3.5 |
| Chickpeas | 155.8 | 143.9 | 154.8 | -0.6 | 7.6 | 143.5 | 127.9 | 140.9 | -1.8 | 10.2 |
| Oil (mustard)\* | 354.8 | 300.7 | 311.8 | -12.1 | 3.7 | 348.1 | 275.8 | 288.5 | -17.1 | 4.6 |
| Oil (soybean)\* | 324.6 | 258.5 | 242.5 | -25.3 | -6.2 | 305.4 | 239.6 | 232.6 | -23.8 | -2.9 |
| Milk\* | 102.5 | 130.4 | 133.8 | 30.4 | 2.6 | 97.6 | 118.1 | 119.0 | 21.9 | 0.7 |
| Eggs\*\* | 21.2 | 20.8 | 21.2 | -0.4 | 1.5 | 19.4 | 19.8 | 20.1 | 3.4 | 1.6 |
| Fish | 466.1 | 598.9 | 527.3 | 13.1 | -12 | 420.2 | 517.0 | 468.1 | 11.4 | -9.5 |
| Meat (chicken) | 515.0 | 543.6 | 555.8 | 7.9 | 2.3 | 447.9 | 478.7 | 482.8 | 7.8 | 0.9 |

\* denotes unit in liter, \*\* denotes unit in per piece Source: World Food Programme

Annex II: Percentage change in commodity prices across provinces of Nepal.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Commodity** | **Koshi Province** | | **Madesh Province** | | **Bagmati Province** | | **Gandaki Province** | | **Lumbini Province** | | **Karnali Province** | | **Sudurpashchim Province** | |
| **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** | **August 2022- August 2023** | **July -August 2023** |
| Rice (coarse) | 28.6 | 8.4 | 18.4 | 13.2 | 15.0 | -1.1 | -5.4 | 2.5 | 31.2 | 6.2 | -0.3 | -9.4 | 39.9 | 5.5 |
| Rice (medium grain) | 28.6 | 15.4 | 23.0 | NA | -2.0 | -11.7 | 22.8 | 2.9 | 8.8 | -0.5 | 3.5 | -4.7 | 30.6 | 2.1 |
| Tomatoes | 153.8 | 22.2 | 56.2 | 6.4 | 38.7 | 42.5 | 35.0 | 35.0 | -8.3 | 8.6 | 7.3 | -8.0 | 42.5 | 3.6 |
| Wheat flour | 31.8 | 3.6 | 12.5 | -1.8 | 22.3 | 0.2 | 14.5 | 3.8 | 52.0 | 1.3 | 27.1 | 1.6 | 46.4 | 1.5 |
| Apples | 17.3 | 4.5 | 50.0 | -12.0 | 7.1 | 3.4 | 31.1 | 16.8 | 17.8 | 1.0 | -4.0 | -70.6 | 5.9 | -24.1 |
| Bananas | NA | 5.9 | 16.7 | -20 | -24.3 | -9.8 | -23.7 | -1.7 | 6.9 | 4.1 | -2.4 | 2.1 | -12.0 | -17.0 |
| Potatoes | 5.7 | -5.1 | -9.7 | 3.7 | 2.1 | 3.5 | 6.5 | -5.7 | -8.3 | 10.0 | 4.2 | -4.6 | -7.0 | -2.4 |
| Cabbage | -11.1 | 26.3 | -21.7 | 38.5 | 8.3 | 80.6 | -23.5 | 62.5 | 0.0 | 10 | 0.8 | -2.0 | -8.7 | 16.7 |
| Carrots | 11.1 | 8.7 | 27.9 | 0.0 | -25 | 5.3 | 50.0 | 28.6 | -50.0 | 15.9 | 26.9 | -3.0 | NA | NA |
| Pumpkin | 5.9 | 12.5 | 50.0 | 41.2 | 23.1 | 14.3 | -30.8 | -35.7 | -10.0 | 8.0 | -39.1 | 0.0 | 5.0 | -20.0 |
| Beans (black) | 19.8 | 4.3 | 14.0 | 1.8 | 31.1 | 8.1 | 2.6 | 2.6 | 5.7 | -0.6 | -5.8 | 1.0 | 16.1 | 7.6 |
| Chickpeas | 10.3 | 1.4 | 4.3 | 9.1 | -10.7 | 11.1 | -12.3 | 4.2 | 13.4 | -1.3 | 3.5 | 16.2 | -6.3 | 1.4 |
| Lentils (broken) | -7.8 | 0.2 | -3.2 | 0.0 | -3.7 | 1.6 | -7.4 | 1.9 | 5.3 | 1.0 | -6.0 | 1.1 | 5.9 | -0.5 |
| Mustard oil | -10.0 | 4.7 | -23.7 | -1.4 | -29.2 | 14.8 | -30.7 | -13.4 | -20.8 | -4.3 | -8.9 | -3.1 | -12.2 | 10.3 |
| Soybean oil | -14.6 | 0.0 | -18.7 | 0.8 | -31.2 | 4.0 | -19.8 | 3.3 | -25.1 | -10.5 | -19.8 | 2.4 | -31.8 | -13.5 |
| Eggs | 9.1 | 0.0 | -9.4 | 6.7 | 28.9 | -0.9 | 10.8 | 2.5 | -3.6 | 1.9 | -6.1 | 12.1 | 13.7 | -12.6 |
| Fish | 4.2 | NA | 4.8 | -8.3 | 9.1 | -12.7 | -7.4 | NA | -8.0 | -8.0 | 10.5 | -6.2 | 8.3 | -21.2 |
| Chicken meat | 10.0 | 2.3 | -3.9 | -11.7 | 17.0 | 1.7 | -4.3 | -4.3 | 7.6 | 0.0 | 3.3 | 1.7 | 21.4 | -0.5 |
| Milk | 6.2 | -2.9 | 13.5 | -1.7 | 13.8 | 2.3 | 9.6 | 7.2 | 15.4 | 0.0 | 50 | 9.3 | 2.6 | 0.0 |

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