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DP/ID/SER.A/731
20 August 1986
ENGLISH

PROCESSING OF MEDICINAL PLANTS CULTIVATED AND
COLLECTED IN NEPAL

DP/NEP/80/044
NEPAL

Technical Report
Export Promotion and Marketing of Nepalese Medicinal Plants
and Essential Oils*

Prepared for the Government of Nepal
by the United Nations Industrial Development Organisation,
acting as executing agency for the United Nations Development Programme

Based on the work of Mr. V. Sittaram
UNIDO CONSULTANT

United Nations Industrial Development Organization
Vienna

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N.B. The Annexures to the report will form Part II .

ABSTRACT

The report focusses on the need to regulate the exports of medicinal and aromatic plants so as to ensure no danger of the species becoming extinct. The exports should also be such that local requirements are fully met, and primarily value-added products are exported.

The need for government assistance to the export community in the form of organised cultivations, financial assistance, good returns to farmers, facilitating contacts with international buyers is emphasised in order to accelerate exports.

Regulatory aspects of export are mentioned and the need to link up activities of the Herb Production and Processing Co. Ltd., and the Nepalese Trade Promotion Centre.

The need to acquire port facilities other than Calcutta is emphasised as well as the need for quality assessment and standardisation of export products. Several other financial and regulatory measures for improving and consolidating exports are recommended. The enhancement of Research and Development efforts to generate the concept of new products and the advantages of establishing Nepali Standards for medicinal plant products as well as essential oils is recommended.

INTRODUCTION

I. Terms of Reference

The terms of reference and Job Description of the Consultant was as follows:

1. Formulate marketing strategy.
2. Undertake International Demand Study.
3. Render positive assistance in regular exports of herbs and plant based pharmaceutical material natural essential oils and allied products.
4. Help develop contacts with buyers abroad.

II. This report covers the findings of the Consultant carried out at the instance of UNDP from 2nd April to 9th June 1986.

A supplementary report will be submitted after the Overseas Study of markets and contacts at Hamburg, Brussels, Geneva. Statistical Data of Imports and Exports will also be updated, collected and compiled during the Overseas tour.

The Consultant acknowledges the assistance/guidance, information data etc. received during the course of the study from all concerned like the Herbs Production and Processing Company Limited, Trade Promotion Centre, Chambers of Commerce, Government Departments, Exporters and many others. Special reference requires to be made of Dr. Sheak, General Manager, Herbs Production and Processing Company Limited, Dr. B. Gulati, Chief Technical Adviser of UNDP/UNIDO - DP/NEP/80/044 "Processing of Medicinal Plants Cultivated and Collected in Nepal" Project, Mr. W.J. De Boeck, Economist Cost-Benefit Analyst of DP/NEP/80/044 Project, Dr. R.S. Mahat and Mr. D. Plas of UNDP but for whose special attendance my task would have been none to easy.

MAIN RECOMMENDATIONS

- I. The Exports of Medicinal Plants and Aromatic Plants be so regulated that their species do not disappear.
- II. Exports be permitted of only such plants of surplus after meeting the local demands for indigenous Industry - Indigenous system of Medicines and requirement of the local Drug Industry as well as cosmetics including Perfumery Industry.
- III. Efforts should be made to developed value added items instead of export of raw products.
- IV. Governmental Assistance be given to the Exporting Community to accelerate Exports. These assistance could be in the form of Preshipment and Post Shipment Finance, Organized cultivations, More remunerative returns to the farmers/Growers to motivate their interest in the cultivation of farm products for exports. Sponsoring of individual study team to build personal contacts with buyers, individual team from abroad be invited to have a detailed study of product range as well as advise development of new crops. Study in Depth the quality control and grading of products.

The Government should also consider expanding the powers and activities of the two vital organizational link of Exports and Export Promotion -

1. Herbs Production and Processing Company Limited.
2. Trade Promotion Centre. The following measures may be considered for adoption by His Majesty's Government.
 1. Authorize the Herbs Production and Processing Company, to monitor Exports by regulating the Quality Export Products.
 2. Exempt Government levies to the extent of Exports to make the prices competitive in the International Markets.

3. Make facilities available to the Herbs Production and Processing Company for testing and grading of the Exported Products.
4. Adopt Nepalese Standards for Exported Products.
5. Make available preshipment and post shipment Finance at lower interest rate than the normal interest rate available for the domestic industry.
6. Develop International Buyers/Traders Compounders etc. Overseas to envisage interest in Nepali products and develop these products import. Agents in Hamburg, New York, U.K. Japan and India could greatly help further exports.
7. Publications of good literature of products with specific and availability of quantities from time to time is very essential. Government's financial assistance for such a project would be advisable.
8. Stricts Customs Control at the points of Borders to stop smuggling, misdiscloration etc. would go a long way to boost Exports.
9. The Trade Promotion Centre should interact with the Exporters in Collaboration with the Herbs Production and Processing Company Ltd., to remove small irritants faced by Exporters as well as monitor and eliminate bad Exporters.
10. The Trade Promotion Centre should also conduct periodical surveys as well as hold exhibitions specially for the products in question. It is also suggested opening of show room abroad in important centres like Rotterdam, New York, Brussels etc. for the Medicinal Plants and Aromatic Plants by species and supported by linked literatures thereof.

11. The Government of Nepal should consider the creation of a lumpsum annually for Market Development abroad both in terms of Nepali Rupees and Foreign Exchange for carrying on development programmes for export both within the country and abroad. These funds should be available to the Herbs Production and Processing Co. as well as Trade Promotion Centre for carrying out annually promotional programme, surveys, tour abroads and inviting delegations etc. The benefit of the funds could also be made available to proven exporters with no bluish to encourage their customers interest in Export.
12. The His Majesty's Government of Nepal could also fix targets of Exports annually as well as for the Plan period based on past performance and likely growth in the years to come. The targets should be fixed in consultation with the Exporters and also interacting on the problems and prospects that the exporters may put forward.
13. The Government should take remedial measures to remove or correct any constraints that the exporters may face from time to time. Periodical meetings with concerned Departments of the Government would yield more results in exports.
14. Economic Mapping of the important medicinal and aromatic plants be undertaken from time to time by the concerned ministries and department of the Government for a realistic availability of products and the future planning of cultivation for better yield and efficient marketing.
15. Special laboratories be set up for quicker analysis of products with time bound availability of reports findings etc. Delayed action in this regard would mean no exports. Time is the essence of all Exports and Export Promotion.

16. The Government should actively examine the availability of port facilities other than Calcutta. Specially the ports at Bombay. This could be discussed and sorted out in the Bilateral talks with India.
17. Introduction of Export Risk Insurance for the Exporters is also a vital point which should help the exporters to cover their various risks - like political, economical etc.

The introduction of Export Risk Insurance could be seriously considered by the Government for implementation. Assistance of the Export Credit and Gurantee Corporation of India could be sought in this regard,

18. Introduction of Exporter's Code Number by the Central Bank of Nepal could help in followup of Export returns of exchange, eliminating and exporters.
19. A special team be sponsored consisting of a Rep of HPPCL and TPC to tour major buying countries in West Europe U.S.A. and Japan.
20. Packing facilities be made available for economical, sea worthy and acceptable to the Buyers and shipping companies as well as benefit in Sea Freight. HPPCL should have their own press for baling medicinal plants for exports.
21. Fumigation either post shipment at local sight or at pre-shipment at Indian dock should be made available

Recommendations in respect of essential oils

1. Some form of quality control of suppliers should be established by an organizations of appropriate stature for example Herbs Production and Processing Company Limited, Nepal.
2. Efforts should be made to eliminate unscrupulous suppliers.

3. Price stability should be maintained in coherence to International Market.
4. A co-ordinated marketing effort, particularly in so far as intelligence systems are concerned is called for to integrate what is seen as a fragmented industry and to harmonize its activities.
5. The role of the essential oil brokers should not be ignored as they play a important role in selling to compounders, several fragrance houses and major endusers.
6. Systems, possibly collaborative, should be set up to obtain or create bulletins of intelligence about the requirements of European buyers particularly in the U.S.A., France, U.K., Japan and Germany who collectively account for over 70% of world spending on essential oils.
7. Materials should be developed by a European designer at times to European fashions and tastes to promote each range of oils for which there is a known continuity of export capability.
8. Face to face contact is a very essential aspect of International Trade. It is suggested periodical visits must be undertaken to renew and/or develop new contacts, product adoption etc.
9. Research and development programmes need to be shown as being implemented in order to generate the concept of new products.
10. Standardization is the need of the hour and Nepali standards should be established.

BODY OF THE REPORT

Medicinal and Aromatic Plants on Renewable Natural Resources

Medicinal plants still form a numerically large group of economically important plants. Although several hundred different genera are used medicinally, most are used in herbal remedies and in indigenous systems of medicine, where either the whole plant or plant organ or its extracts are needed.

The trade in medicinal plants and their derivatives in pharmacy has declined in many industrialised countries owing to the volume of competitive synthetic products currently marketed; overall the trade in botanicals has increased following their increased use in the food and cosmetic industries. A renewed interest in traditional medicine in Asia and in health foods in Europe and North America has provided new outlets for a number of botanical products.

It is not possible to assess the volume or value of the trade in all botanicals that are used medicinally because trade statistics do not identify all the plants individually. However, from data base compiled by the U.N. Statistical Office and International Trade Centre, Geneva the total value of total imports of medicinal plants increased from \$ 355 million in 1976 to \$ 551 million in 1980.

Over 400 botanicals are used commercially in West Europe, Hamburg is the Centre of the trade importing 31,452 tons in 1980 out of total European imports of 80,738 tons.

U.S.A. and Japan are also large importer of medicinal plants.

The varied climatic conditions in Nepal make it possible to grow a wide variety of plants. The alpine meadows in the North and Sub-tropical forests in the South within a span of 130 - 240 Km. place Nepal in a unique position as far as vegetation is concerned.

Because of the diversity in agro-climatic conditions a remarkably wide range of medicinal and aromatic plants are found growing throughout the country. The plants as forest products constitute one of the important natural resources of the country and are used for therapeutic purposes

by the population for traditional medicines based on Ayurvedic. Many people in the mountains depend upon the collection and sale of such herbs for their livelihood. The collection is done rather discriminately to meet a demand situation and thus might lead to the extinction of species.

80 species of Medicinal and Aromatic Plants totalling over 1000 tons worth approximately US dollars 1.5 million are being annually exported in their crude form.

Total value of exports was US dollars 95 million in 1973 - making 1.5 percent of total export value.

Medicinal and aromatic plants occupy a relatively important place in the economy of Nepal.

Collect wild herbs for export or sale after processing.

Make country self sufficient and conserve Foreign Exchange by import substitution.

If a rational approach to avoid a situation of extinction of valuable species is to be evolved, effective steps should be taken to conserve the medicinal and aromatic plant resources and establish cultivation practices that will lead to the development of crops of medicinal and aromatic plants which may then be used for industrial processing.

Cultivating 100 ha. of medicinal plants and 150 ha. of essential oil plants on the herbal farms of the Herbs Production and Processing Company Limited. The same quantitative targets (100 and 150 ha. respectively) are established for the projects extension programme with private farmers. Aromatic plants will be distilled.

It is understood that necessary steps are being taken by all the Departments concerned for preservation, organized cultivation, collection extractions of oil etc. on a planned basis.

The main objectives of the Department of Medicinal Plants are to conduct research and development programme in order to generate industries in the country based on the plant resources. Efforts by the department in

the past, have resulted in the establishment in 1972 of a pharmaceutical formulation industry "Royal Drug Ltd.". After the establishment of the Royal Drug Ltd. the department focussed its activities on the establishment of a phytochemical production unit.

Many plant derived natural products are employed in the Pharmaceutical Cosmetics and Flavour Industries, as therapeutic agents or are industrially utilised and in terms of economic value have considerable significance.

Department of Medicinal Plants was set up for the formulation and implementation of Government Policies on the cultivation, collection, processing and utilization of Nepalese medicinal and aromatic plants. The department consisted of four R and D institutions:

1. Royal Drug Research Laboratory.
2. Royal Botanical Garden.
3. Botanical Survey and Herbarium.
4. Herbal Farm.

The efforts made up until now to promote the cultivation processing and utilization of medicinal and aromatic plants include extensive botanical surveys, with particular emphasis on medicinal and aromatic plants, and establishment of herbal farms for systematic studies to develop suitable agro-technology for the cultivation and utilization of medicinal and aromatic plants, both indigenous and introduced species.

Herbs Production and Processing Company established with the following main objectives:

- A. To collect wild herbs for export or sale after processing.
- B. To cultivate and promote the sale of medicinal and aromatic plants (in domestic or foreign markets) for use as therapeutic agents.
- C. To encourage small farmers and land owners to cultivate medicinal and aromatic plants.

- D. To make the country self sufficient in the field of drugs, especially drugs derived from plant sources.
- E. To acquire foreign exchange earnings.

The details of the plants available and published by the Trade Promotion Centre is at Annexure.

Essential Oils

The principal buyers of essential oils are brokers/traders, importers, compounding houses and to a lesser extent some large users. Brokers are particularly important and many major users prefer to buy via them, rather than direct to minimise risks.

The major perfume, cosmetic and toiletry manufacturers are increasingly buying in their fragrance requirements from compounders rather than blending themselves. The indications are from these companies and from organization like the Cosmetic, Toiletry and Perfumer Association and the International Fragrance Association that this trend will intensify.

Another important development has been the increase in the use of Synthetic products due partly to their generally lower and more stable prices and to the development of quite new fragrances. Synthetics are currently estimated to account for about 80% of the total world demand fluctuations in the availability of natural oils, coupled with the attendant variations in prices, have stimulated this trend, as have the development of "Short life" perfumes.

The future situation depends on many factors; perhaps chief among these being the stabilisation of supply and prices of natural oils. However, it appears likely that the demand for natural products will increase though not at the same rate as that for synthetics.

Previous studies of Nepal on Essential Oils and Medicinal Plants reveal the potential of the growth of these products. Relevant suggestions by these Experts are being adopted and or in the course of adaptation for better yield, quality to meet International demand and quality standard.

The first study was a consultative mission on Essential Oil Industry in 1976 by 1) Mr. G.D. Kelkar and 2) Dr. R.O.B. Wijesekera consultant at the instance of Economic and South Commission for Asia and the Pacific (ESCAP). The consultants had visited a number of countries in the region and Nepal was one of those. The main recommendations are contained at Annexure

The second study was under Project NEP/79/007 by Dr. IR. E.H.D. SMIT Multipant B.V. P.O. Box. 87, 3600 AB MAARSSSEN The Netherlands between October 13-31 1981. The main recommendation was the establishment of Herbs Production and Processing Company Limited, The report also recommended active corporation of UNIDO in organising quality control of the finished products which could be covered under project DP/NEP/80/044. It also emphasised on both import substitution and exports and suggested market analysis be carried out along the lines of the reports International Trade Centre in Geneva including price information and "Out look". Emphasis was also laid on establishing Nepalese standards.

It is equally necessary for the Nepali Exporters to keep in constant touch with the Overseas Buyers and Agencies that could render assistance for the sales of the Medicinal Plants/Essential Oils. While no doubt personal contacts would be the most ideal situation by and large this is not possible due to heavy expenditure involved and also at times lack of personnel available for this type of endeavour.

Well printed illustrated leaflets of the products with their derivatives could be one of the most viable means of propagation.

Well Knit Overseas publicity in commercial magazines abroad could be yet another step for reaching the Buyers.

The Industry has a need to improve its efficiency and thus its economic performance. At the same time it needs to ensure that its technical performance and know how stay comparable with the best of its international competitors. At both the individual company level and collectively at the industry level there is need for Management to develop Strategies to meet the challenges ahead and take advantage

of opportunities. Having formulated its strategies, Management then will have to organise its activities to achieve the result it desires.

In addition the Nepali Embassy in the various developed countries could assist the Nepal Exporters in the matter of projections and educating the local buyers abroad about the products availability from Nepal.

Last but most important is the services to be utilised of the good office of Governmental organizations which have been created by a number of developed countries for import from developing countries which assist in circulating the commodity along with relevant information as furnished by the developing countries exporters/organization etc. A number of few of the organizations are listed in Annexure - IV.

It is equally for the Exporting Community to be unique of the actual price level in the International Market. While the items in question are of a wide range and not monopolistic in nature specially with competition from many developing countries within the Region as well as many Developed Countries. Price plays a very important factor in addition to quality and delivery schedule. With a view to keep up-to-date with regard to prices certain publication in the developed countries inform on the actual price level of a specific type of Medicinal Plants/Essential oils. These publications are listed in Annexure - V . These publications be contributed and consulted for price factor.

It is also necessary to keep in touch with known Overseas Buyers or new contacts for guidance and price structure.

Indian Trading Companies at Delhi, Amritsar and Delhi could react favourably.

Supply Survey Project on Medicinal Plants and Herbs was also conducted by Herbs Production and Processing Company Limited, Kathmandu in collaboration with International Trade Centre UNCTAD/GATT and Trade Promotion Centre as counterpart in Nepal under the Integrated Demand Supply Programme of International Trade Centre, Geneva.

The study was conducted by Dr. Asfaq Sheak, General Manager, Herbs Production and Processing Company Limited in 1983 as Research Coordinator along with a team of Researchers.

The study reflects the proper utilisation of herbs and aromatic plants that are available in large quantities in the forests of Nepal together with the mass cultivation of some varieties, herbs and aromatic plants could help the country to be self-reliant and at the same time be one of the large source of foreign exchange earnings for Nepal.

The study has also helped to identify some of the basic development issues related to the exportable item with respect to Medicinal Plants. It also collected information which would be of interest to potential buyers of the product by providing approximate quantities of the different medicinal herbs available in the country as well as company profiles of established and promising new firms.

The survey includes technical assistance requirements in the area of herb production, processing, packaging and market information.

As a result of this study Trade Promotion Centre has brought out some useful information data publications like "Guide to Suppliers of Selected Export Product from Nepal - Medicinal Plants as Herbs" as well as "Medicinal Herbs from Nepal".

The survey report is a very useful and information documents which should be analysed in details and corrective measures taken as suggested therein.

The study also reflected the procedure of collection, grading etc. The actual collection of medicinal plants first requires a permit after paying Royalty charges before collection from the District Forest Officer and then proceed to collect the herbs listed in the permit. Alternatively, Royalty can be paid at District Forest Division. The receipt obtained is required to be produced at the custom office from where export is intended.

The Department of Forest can issue permit licence for the collection of certain wild herbs on a contract basis for a given period of time. Tenders are invited and the highest bidder get the contract.

Grading:- Grading of crude herbs is usually done by the buyers at the time of purchase. The price is paid terms of the herbs physical characters ie. size, shape, variety, moisture content, the percentage of impurities present.

Besides, crude drugs, extracts and oils are graded according to the percentage of the various ingredients present in them. On the basis of their analysis report. Those complying to the international requirements are graded better and fetch a good price. At present, the established institute in the field of herbs are i) Herbs Production and Processing Co. Ltd., an undertaking of HMG of Nepal ii) Nepal spice products Pvt. Ltd., Nepalgunj and iii) Rizal Aromatic Industries, Biratnagar. Their activities except the first one is limited to aromatic plant cultivation and distillation only.

Problems of Industry - as reflected in the study are:

01. High and impractical export duty and royalty charges.
Export duty and royalty should be fixed in terms of international market prices and local availability.
02. Cumbersome export procedures.
03. Tender for contract of herbs by Forest Department undesirable.
04. Difficulty in obtaining royalty permits from the District Forest Offices.
05. Too many local panchayat taxes.
06. Collection regulations should be liberalised.
07. Export Incentives be available.
08. The items which can be processed in the country should be encouraged to be supplied.
09. Inadequate shipping services.
10. Lack of market information. Trade Promotion Centre to render assistance.

11. Transport facilities be increased from hinterland to Trading Centre.
12. Export Finance.
13. Vigilance at the customs level to differentiate high valued herbs being exported as low value herbs to save export duty and royalty charges.

The Trade Promotion Centre, Kathmandu, Nepal was set up as an agency of His Majesty's Government of Nepal in 1971 under the Nepal Development Board Act 2013 (1956). The primary object of the setting of this centre has been to provide support to Nepal's export promotion and diversification programme which constitutes an important aspect of national economic development. Its function could be broadly classified as under:

01. Export promotion in traditional and new market abroad.
02. Product Surveys and development for exports.
03. International markets research in the establishment of foreign marketing information network.
04. Development of export conceivness and entrepreneurship.
05. Maintaince of a centralised flow of business opportunities on behalf of both local and foreign businessmen within Nepal and abroad.
06. Dissemination of general information on potential trade opportunities abroad.
07. Maintenance of liaison with International Trade Centre (ITC-UNCTAD/GATT as the liasion body in Nepal
08. Maintenance of professional links with other international agencies like ESCAP/BANGKOK/EEC/Brussels.

It must be said to the credit of Trade Promotion Centre, that they are doing a wonderful job within the limited resources and manpower available at their command. It is more so when they have to cover the whole spectrum of the Nepali products of known and unknown range of products and do the image building in the International Scenrio. The Trade Promotion

Centre has prepared with the assistance of ITC UNCTAD/GATT Geneva a complete study of Guide to Suppliers of selected export products from Nepal on Medicinal Plant and Herbs in 1982. This publication acts as a useful guide to the Overseas Buyers as a Guide on the profiles of 31 suppliers of Medicinal Herbs and Herbal Extracts as well as 4 suppliers of essential oils in Nepal. It is felt that this guide should have been circulated among major buyers/trading houses in developed countries and certain amount of interest as well as business emanated on this account.

The Trade Promotion Centre has also published a catalogue of tentative list of Medicinal Herbs of Nepal, their uses, availability, chemical composition etc. which again is a very useful guide to the Overseas Buyer. Both these publications be considered for reprint with corrections and deletion wherever required for good commercial purposes.

The Trade Promotion Centre also undertakes yet another useful and purposeful function of collecting Export Statistics which is not only necessary for the trend of products and markets but also acts as a guide for future development of new products and new markets. The Trade Promotion Centre also has constituted a Standing Committee on Medicinal Plants which should be a forum for free and frank discussion among the Exporters and Trade Promotion Centre on the problem and prospects of Exports and Exporters.

Yet another important aspect of work undertaken by the TPC is the formation of the Committee on Export Valuation to review Export Prices Vis-Vis International Price.

Report on Medicinal Plants and their Derivatives by International Trade Centre UNCTAD/GATT was published in 1982. Main recommendations along with Regulations and quality requirements:

1. Developing countries should make better use of plants indigenous to their regions as this offers opportunities to obtain the raw materials for a number of essential drugs.

- ii. Developing countries should concentrate on producing plants that are indigenous to developing countries rather than trying to compete with the growers of plants that are grown in large quantities in temperate climates (developed countries).
- iii. Collections of more information about the total trade in medicinal plants be collected before a viable development programme can be formulated. Some trade, such as local over the border trade with neighbouring countries, will not even be reported in export statistics even though the quantities may be considerable.
- iv. A national Trade Association that registers the country's growers to allow the promotion of medicinal plants such an association would try to maintain a regulated supply of plants and would be available to ease in cases of dispute between the growers and overseas purchasers of plants.
- v. Regulation of supply is particularly important as a large oversupply of plants will often destabilise the markets and cause prices to decline to such an extent that it will be no longer profitable to produce or trade in the plant in question.

Regulations and quality requirements

The regulatory requirements of many countries are being continually tightened particularly with respect to contaminations of botanical products by pesticide residues, percentage of active constituents and purity.

Complaints concerning the quality of botanicals recovered from developing countries are frequent as in many cases the product received does not correspond to the samples on the basis of which the purchase contract was made.

Tariffs

In general medicinal plants are treated without any tariff restrictions as most plants and crude drugs are exempt from duty. However, tariffs are levied on many of the derivatives and the advanced forms of the plants or their extracts. Most developing countries are able to benefit under the Generalised System of Preference which often exempt even the derivatives supplied by developing countries.

Prices

Prices of medicinal plants tend to vary in a cyclical manner and are often very common as the availability of many plants goes from oversupply to scarcity very quickly. Many plants particularly those that are traded in large volumes are produced in cooperation with or under contract from, the end users and their prices are not published.

Distribution Channels

The distribution channels are very defined. In general major traders tend to cooperate with those growers that have an established reputation and are known to them. The main traders and stockists are established in Hamburg, New York, Osaka and Hongkong.

New Growers must make themselves known to the trade through their trade association or the export promotion council or even HPPCL in context of Nepal of their own country. Detail the functions of organizations like CBI (Netherlands) UKTA (London) etc. and seek their assistance.

Commercial Practices

Purchasers are becoming more aware of the need to ensure that the product purchased conforms to the sample on which an order was based and are seeking ways to obtain this confirmations before shipment and final payment.

Quality Control - Assurance of Export-Quality

Quality of the product being offered in the international market is one of the most important factors in getting the foothold in the foreign market. Quality assurance on a statutory basis can go a long way in promoting exports and for attaining greater consumer acceptance abroad. For re-orienting and strengthening the mechanism of quality assurance and to promote the exports on a long term basis through quality control and pre-shipment inspection His Majesty's Government should adopt quality control measures and nominate a government agency preferably the Herbs Production and Processing Company Limited Nepal as the nodal agency.

This would help in obviating quality complaints.

Standard for essential oils

An essential oils and allied products sectional committee requires to be set up for formulation of National Standard on essential oils.

National standards body required to prepare a well defined standards on methods of test sufficiently rigid to enable users to protect themselves from being duped by sophistication or adulteration.

On factory assessment of essential oils is paramount importance.

For ensuring proper quality characteristics in the essential oils it has been found necessary that the aromatic plant material is also standardized.

Traditional exports of essential oils have to be put scientific basis through formulation of standards.

Assistance of Indian Standards Institute New Delhi's be sought who have done excellent work.

AG MARK - Essential Oil Grading and Marketing Rules for maintaining the quality of the goods exported the rules of standardisation is necessary.

Principal purchasers of essential oils

The principal buyers of essential oils from their countries of origin are:

Brokers/dealers who buy for specific clients and may hold stock. Importers, who may also hold stocks of oils and who to some extent overlap with brokers/dealers.

The fragrance and flavour compounding houses, such as IFF, Naarden, Givaudan etc, and the traditional houses of Grasse. Some large users of essential oils i.e. manufacturing companies, such as Henkel, Proctor and Gamble, Unilever etc. who may do some of their own compounding.

Brokers and importers are extremely important in the market, particularly in London. Even large users often purchase some of their requirements via brokers rather than go direct because they offer the following advantages:

- dealing in larger volumes can give more purchasing power and keener prices.
- delivery ex-stock is sometimes possible flexibility.
- security - the broker is the one taking the risk.
- credibility
- easier payment

All the above advantages are generally seen as a reply justifying the 2% - 3% commission which the brokers charge.

In the U.S.A. the major international perfume of goods manufacturers such as Proctor and Gamble, Unilever, Colgate - Palmolive are major purchasers of essential oils and they manufacture themselves most of their perfume needs estimated at accounting for up to 25% of all U.S.A. requirements.

Buying pattern differ from country to country but most of them depend on intermediaries though direct buying is also resorted by many.

Quality Control and Preshipment Inspection in respect of Medicinal Plants

It is necessary to adopt a suitable strategy that would help to achieve improvement in the production both in terms of quality and quantity and also to ensure that exports are competitive in regard to quality, price and delivery.

Like other farm products medicinal plants are also subject to variation in quality due to factors beyond the control of the producers. There characteristic variations in quality of agricultural products, as distinct from industrial produce where the manufacturing industry can produce to a predetermined standard, involves the need for grading and standardisation of medicinal plants and related products.

It is considered necessary to introduce quality control and preshipment inspection to maintain and further increase the exports. Recognizing the need for grading and standardisation of agricultural and allied products the HMG of Nepal may consider enacting a Agricultural Produce (Grading and Marketing) Act which would empower the Govt to make rules:-

- fixing grade designation to indicate the quality of any scheduled article.
- defining the quality indicated by every designation.
- specifying grade designation marks to represent particular designations etc.

These grading schemes are to be implemented by an authorized authority empowered by Government.

Quality Control and Preshipment inspection in respect of Medicinal Plants can be adopted and implemented only after the standard are laid down.

While formulating standards the need and specifications of the foreign buyers should be kept in view and relaxed if necessary for development of Exports.

Herbs Production and Processing Company could be the designated body by the Government of Nepal for standards inspection and implementation.

The following organisation be consulted for quality control measures to be adopted.

References - International Standardisation of Essential Oils

Secretariat of Technical Committee

Direccao Geral DA

Qualidade

Rua Jose Esterao 83-A

1199 Lisboa

CODEX

Portugal

For standardization
of Essential Oils.

1st Congress of IFEAT

International Federation of Essential

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Mr. Pisano - President

C.T. Nissen - Executive Secretary.

Book of Standard and
specifications of
Essential Oils.

The formulation of National Development Plans to fulfil particular aspects of the Government's overall economic programme.

The provision of market data to enable Trading and Trade Promotion Body as well as individual exporters to plan future business more effectively.

Design, development and implementation a corporate strategic plan, the improvement of an existing plan, the development of a marketing strategy for export business, or some long term aspect of the business. Some of the measures required in the short term to revise and improve exports is to :

- provide adequate credit.

- lower excise duty/custom duty.
- reduce interest rates for exports - preshipment and post shipment finance.
- provide suitable incentives to explore market abroad.
- improve raw materials and agricultural products where ever necessary to make exports more viable both in quality and quantity.

Group of small export exporters will help.

Grouping of small export exporters will help:

1. Internal economics through common infrastructure facilities.
 2. Complementary economics through promotion of inter firm relations and optional utilisations of common service facilities.
 3. Aggregation of a sufficiently large number of small enterprises to meet big export orders. Thus ensuring quality standards and delivery dates.
 4. Economics in collecting and analysing market information and providing marketing advice.
 5. Facilitation of export documentation and procedures.
 6. Facilitations of the provision and supervision of special credit arrangements for the benefit of small export enterprises.
- Integrated approach will greatly be effective for small exporters.

Marketing information: The Government should at least adopt measures to remove the main constraints faced by exporters in venturing into the export market where risks are great and profits are low during the initial development stage.

Marketing channels open to them, their competitive strengths and wealthiness and a whole array of related market information. This would help thus to fix target markets and concentrate their efforts.

Export financing: A key element in the development for export is the availability as well as the cost of finance for exports, pre-shipment and post shipment finance cover by export risk by Export Credit and Gurantee Corporation. Active participation and assistance by Central Bank and Authorised Banks dealing in foreign exchange.

Check credit worthiness of potential customers. Assistance could be rendered by the Central Bank or a Specialised Agency on nominal charges.

Financing Schemes

1. Finance is made available on the basis of the viability of the export project rather than on the credit worthiness of the enterprise.
2. Medium and long term as well as short term loan finance is available at concessional rates of interest as against regular rate of interest.

The assistance of National Trade Promotion Agency or Specialised Service Institutions would be most useful. Role of Trade Promotion Centre to be highlighted and more functions and powers be vested in this organization for development of exports. TPC to be the focal point.

Role of Export House (Trading Companies)

Role and functions of Export Houses to be expanded with their usefulness in concentrated exports and overseas contacts.

Roving Export Managers (REM)

Personalised Export Help Scheme for small exporters to receive assistance on an individual basis in approaching overseas market. Programme is designed to lead companies to the export "take off" stage so that they can market their goods overseas profitably on their own. The Scheme, a combination of in-house training in export marketing and of field research and marketing abroad focuses on small and medium size firms with considerable

potential for developing their export operations. REM can serve as the company's export manager in its initial stage of overseas marketing. The REM fills an important managerial gap by export guiding the firm initially in taking the right export decisions. He advises on how to make the first business contacts abroad, adopt production (cultivation, collection etc.) to market requirement and carry out actual export transactions. He also helps in long term export planning.

Training exercise for developing export managerial skills and marketing expertise.

This scheme could be operated by the Trade Promotion Centre given the infrastructure to do so. Trained personnel etc.

Export Marketing and Export Pricing is a two way instrument in International Marketing. These two aspects have to be viewed as complementary to each other. These subjects require to be dealt with in some depth to help the future marketing and pricing structure for the products to be exported by HPPCL Nepal and exporters from Nepal.

International marketing comprises of (1) planning and development of products that customers require with appropriate packing and support services (after sale service) (2) the distribution of these products through appropriate channels (whole salers. Retailers compounders etc. (3) the establishment of prices which offer both value to the customers and satisfactory profit to the suppliers and (4) promotion of the products including advertising, sales promotion etc.

Pricing thus is an inherent part of international marketing. Unlike, in domestic marketing, a number of factors are involved that are outside the control of the exporter, but his export success will depend to a great extent on his knowledge and assessment of such important factors. The exporter is thrown to competition from sources all over the world and through home work requires to be done which alone would enable an actual analysis of the pattern to be followed for export pricing.

Pricing for exports is more complicated because of the fluctuations and variations in the prices in the same market over a limited period of time. Moreover the prices prevalent in different markets differ substantially. To compete in such changing circumstances amidst similiar products

offered of cost factors and introduce into it pricing techniques which make the export proposition viable and profitable.

International Marketing Decisions

When a company contemplates marketing abroad it faces four major decisions:

1. The international marketing decision, i.e. the initial and fundamental decision on whether or not to market abroad.
2. The market selection decision, i.e. determination of which market to enter.
3. Marketing-mix decision i.e. planning and implementing a marketing-mix appropriate to the market environment.
4. Organisation decision i.e. determining the appropriate organisation structures.

The arguments in favour of International Marketing are:-

1. Even if profit is lower, total sales and total profit in absolute terms should increase.
2. The product life cycle is extended as the product is introduced into new markets.
3. At worst exporting offers opportunities for marginal cost pricing in times of low-domestic demand.
4. Exporting is a matter of prestige.
5. It is in the national interest to export.
6. Growth may be easier especially when domestic demand has reached saturation point.
7. Foreign competition is a yardstick by which to measure efficiency.

The international marketer must also consider whether his company has the managerial, financial and other resources necessary to market abroad. Otherwise, it should resort to indirect exporting.

International market research is a very important aspect of marketing abroad. It includes the systematic gathering, recording, analysis and interpretation of data. This is normally conducted in two parts (1) Desk Research and (2) Field survey.

It is very necessary to pursue the marketing strategy in close cooperation between the Herbs Production and Processing Co., Trade Promotion Centre and the private exporters so that the efforts are not frittered and there is a overseas approach to the exports from the country. While the trading aspects could be routed through the Herbs Production and Processing Co. along with the private trade, the promotional activities could be managed and supplemented by the Trade Promotion Centre.

The efforts of the exporters should be as a whole to initially develop the medicinal plants and aromatic plants in a more concentrated way than at present; simultaneously efforts should be made to make value added/processed products like extracts and essential oils. This could be best achieved not only by depth Research and Development but also by collaboration with known foreign buyers and agents for new products with buy back arrangements.

The technical report based on the work of Mr. Walter J. De Boeck Consultant in cost benefit analysis and market research carried out during January to April 1986 is already available, which gives details of costing as well as deals with market research and management information system.

The report is complimentary to the work of the Marketing Consultant and has bearing on Marketing. It was fortunate to interact with the cost consultant and exchange views beneficial to market study.

Some of the information details furnished by the cost consultant is quoted the present to make report self contained. These could be as follows:

1. Availability and prices for crude Herbs from Nepal 06
2. Latest price information on products of interest
to HPPCL 07
3. Sales by HPPCL in the period 15/7/85 - 1/4/86 08
4. Other products (prices quoted in chemical marketing
reporter of 17/3/86) 05

It would be pertinent to draw pointed attention to the conclusions of the cost consultant in his report which emphasis in the potential development of an industry based on botanicals. He has indentified the specific farm products with its cost advantage or otherwise for marketing in the International Market. The consultant has pointed that the potential lies in developing a reputation for quality and reliability towards overseas customers, so that the price disadvantage can be compensated for. The consultant has also pointed out the supply of crude drugs (and possibly intermediary products) to the local ayurvedic drug industry.

The Import Department of Japan External Trade Organization Tokyo Japan began publishing the "Access to Japan's Import Market" series with a view to inviting the developing countries to the Japanese market. One such study has been on Medicinal Plants under serial No. 41 published in March 1983.

It gives in detail the outline of the Market, Scope of Products Concerned, Market Environment, Supply of Medicinal Plants etc. It also dwells with Domestic Production and Shipment, Items being imported countries of origin, prospect for future supply, promotion of domestic production, Research on cultivation of Medicinal Plants Exports from Japan and Trend of Imports.

Medicinal Plants eligible for prescription under the Health Insurance Program and included on the Drug Tariff Schedule (the list of medicines which may be prescribed according to the health insurance programme number 228 items.

Medicinal plants for medicinal use are applied mainly as Kampoyaku. In Japan, standards for 210. Kampoyaku prescriptions have been established. Japan annual consumption of medicinal plants including those for non-medicinal uses is about 40,000 tons, or more, 85% to 90% of which are imported. The survey points that consumption in the Japanese medicinal plant market is estimated at 43,000 tons annually based on 1931 survey by Nihon Shoyaku Rengo-Kon (Japan Medicinal Plant Federation).

Those used on medicine ranged from 15,000 tons to 20,000 tons according to year. Of the 250-300 varieties on the market, those most commonly used for medicines number about 100 and amount comes to about 1800 tons.

Trend in imports and domestic consumption and Export of medicinal plants are shown in Annexure - J - 1.

Most voluminous items were:

Glycyrrhizae Radix	6,000 tons
Piper Nigrum	5,200 tons
Capsci Semen	2,610 tons
Curcumae Rhizoma	2,500 tons
Coriandri Fructus	2,050 tons
Cinnamomi Cortex Pulveratus	1,760 tons
Zingiberis Rhizoma	1,680 tons

Source of Supply

Japan imports most of its medicinal plants from China (61%) and Republic of Korea (15%) other sources are Hongkong, Burma, India, Nepal, Australia, Vietnam, Federal Republic of Germany, Indonesia, African countries, Taiwan, USSR, Madagascar, Latin America, Spain, Iran and Pakistan.

Future Prospects

At present Japan is heavily dependent on imports to meet its medicinal plant demand. Owing to domestic factors, imports from the largest supplier, China are in a declining trend it is understood. The prospects of other countries therefore brighten. Imports of medicinal plants have been increasing year by year. The expansion rate is said to be 5 to 6%. Annexure - J - II shows imports of medicinal plants - 1981. Annexure J - III, shows Exports of medicinal plants - 1981.

Price Trends

Prices of medicinal plants always change according to the weather and policies of exporting countries. When bad weather is prolonged harvest of medicinal plants deteriorate and prices rise steeply. After conditions return to normal, supplies increase and price drop drastically. Policies of exporting countries influence each others prices.

Channels of Distribution

Medicinal plants are imported by big wholesalers and distributed to pharmaceutical companies.

Import Procedure

Importers of medicinal plants must obtain importer licence and permission for the list of the medicinal plants to be imported from the Ministry of Health and Welfare.

Medicinal Plants are imported under the classification of "Medicinal Supplies" or "Material for other Purposes". In the former case, each item needs the permission of the Ministry of Health and Welfare. If so classified, those which do not meet the qualifications of the Pharmacopoeia of Japan can not be imported.

General Rules for crude drugs (Extracts) from The Pharmacopoeia of Japan, 10th Edition 1981 English Version is at Annexure J - IV.

It would be useful to keep in contact with Nihon Shoyaku Renego Kai (Japan Medicinal Plant Federation) 19, 3 - Chome, Dosho Machi, Higashi Ku - Osaka 541, Japan, Telephone: 06 - 2027898.

Jetro has made a similiar study on Essential Oils and natural products under Serial No. 48 February 1985. Japan is one of the world's leading importers of essential oils taking in between 5,000 and 7,000 tons each year. In monetary terms as well, Japan depends upon imports to satisfy nearly all of its domestic demand valued at 11 billion yen, since only a meagre of 90 million Yen worth is produced in the domestic sector. The total market size in Japan for compound perfumes such as flavours and fragrances and for natural products and aromatic chemicals reaches 115.5 billion Yen, the world's second largest consumer nation following the United States of America.

Over the last five years, the perfumery market in Japan has grown at a rate of 14 percent, and it is expected to expand in the future as well. Among items, flavours has shown remarkable increase in consumption as opposed to fragrances. As of 1983, the ratio between two was 1.8 to 1 indicating that flavours amounted to nearly twice as much as fragrances.

The Study made specific study on the following essential oils

Bay leaf oil, Bergamot oil, Cananga oil, Cassia oil, Cedar oil, Citronella oil, Clove oil, Eucalyptus oil, Fennel oil, Lemon oil, Orange oil, Perit-Grain oil, Rosemary oil, Rosewood oil, Sandlewood oil, Star-anise oil, Lemongrass oil, Patchouli oil, Vetiver oil, Geranium oil, Lavendar oil, Lavandin oil, Ho oil, Peppermint oil, Spearmint oil, Rose oil, Jasmine oil, and others. Orange oil has been one of the major imports of Japan constituting

as much as 60 percent of total import volume in 1983. The study gives details of various essential oils to be relevant to the interest of Nepal the details of some of the oils are enumerated below:-

a) Peppermint oil (Mentha Arvensis)

Japan mint oil is divided into those forms which have menthol contents of 65% or more by weight and those containing less than 65%. At present, the former comes under Japan's system of tariff quotas, and imports come from China and D.P.R. Korea. In recent years, imports have remained stable at an annual rate of 300 to 400 tons.

b) Peppermint oil (Mentha Piperita)

From 1970 to 1973, peppermint oil was imported annually between 200 and 300 tons, but over the next five years from 1974 it dropped to less than 200 tons per year. Afterwards imports started to increase again gradually and reached 306 tons in 1982, then falling to 206 tons in 1983. Major exporters were the United States, France and Federal Republic of Germany though 99% of the total import volume, however come from USA.

c) Lemongrass oil

In 1983, imports of lemongrass oil dropped to 39 tons from 74 tons in 1970. The drop was due to the use of synthetic Citral as a substitute. The current major exporting countries are China and Guatemala.

Trends in Import Volumes

- I. Items undergoing an increasing trend : Orange oil, Lemon oil, Cassia oil.
- II. Items undergoing decreasing trend : Lemongrass oil, Citronella oil, Lavender oil, Lavandin oil, Rosewood oil, Ho oil, Geranium oil, Sandalwood oil, Rosemary oil, Cananga oil, Cinnamon leaf oil, Rose oil.

III. Items of levelling off

: Cedar oil, Eucalyptus oil, Peppermint oil (Mentha Arvensis), Peppermint oil (mentha piperita), Colve oil, Bergamot oil, Spearmint oil, Patchouli oil, Ylang-Ylang oil, Vetiver oil, Petit grain oil, Fennel oil, Star anise oil.

Imports

Japanese imports of essential oils have been mainly from developed countries in Europe as well as from developing countries. The import mainly depending on the large quantities produced by these countries with a history of transactions with Japan for long. Few classic examples could be like Rose oil from France, Netherlands and Bulgaria, Lavendar oil, Geranium oil, Jasmine oil from France, Orange oil and Rosewood oil, from Brazil, Citronella oil from Taiwan Peppermint oil, Lemongrass oil, Cassia oil and Cedar oil from China, Patchouli oil, Clove oil and Vetiver oil from Indonesia and Sandalwood oil from India. Trend in Imports of Major item of Essential Oils with 1983 rating is at Annexure J - E.O. - 1.

Items with Import volumes from Europe Exceeding 50% is at Annexure J - E.O. 2.

Items with Import volumes from Developing countries Exceeding 50% at Annexure J - E.O. -3.

Similar to the study made on Medicinal Plants and Essential Oils, Centre for Promotion of Imports from developing countries, Rotterdam, The Netherlands caused a market survey for essential oils in the Netherlands. The study was conducted by Transform Netherlands in 1985.

The study gives a review of the market for essential oils in the Netherlands, which is fairly stable on the demand side. It is understood citrus oils account for the largest part of the imports.

Dutch importers of essential oils are few and fairly conservative in their acceptance of new suppliers. A good offer, in which the quality and continuity of the supply are guaranteed, is essential to raise interest.

The imports and exports between 1980 - 1984 along with origin of imports are given at Annexure Essential oil - N - 1.

Trade Channels

The trade in essential oils used to involve a whole net work of different intermediates. Lately a tendency towards direct trading is observed with the elimination of intermediaries. Sometimes the service of an agent are used.

Purchasing Practice

The number of traders in essential oils is very small. About seven dominate the Dutch market completely. Vary often essential oils are bought on the basis of earlier received samples.

The quantities, mode of transport and packing varies strongly from one product to another. Certain items may be brought per kilo only (e.g. Cinnamon bark) others are traded in container loads (Citrus oils, Citronella oil).

For lemongrass oil, Citronella oil, Geranium oil, Vetiver oil, Patchouli oil, Eucalyptus oil, Ginger oil, 200 litres, mild steel drums, which may or may not be coated with epoxy - resin are used as packaging.

For expensive oils only new drums should be considered. Clove oil must be handled with care as mild steel drums will discolor the oil. New galvanized iron and epoxy-resin coated mild steel drums are required.

New exporters have to expect a fairly conservative market in which importers do not change readily to new suppliers. In making an offer (CIF) quality is of prime importance. If the offer is accompanied by a quality certificate of an internationally recognized laboratory this would be an asset. Also the use of a superintendence company would increase the interest of the offer.

Generally the mode of payment is cash against documents though letters of credit are also used.

General promotion has no real use as the number of traders is so small.

Trade Channels

Importers and agents of essential oils and oleo-resins in the Netherlands are:

Supplier of food industries

I. P.P.F. International B.V.
Westkanaaldijk 6
P.O. Box. 84
3600 AB Maarssen
Tel: (0)30 - 435984
Tlx: 40665
The Netherlands

II. Naarden International
Holland B.V.
Huizerstraatweg 28
P.O. Box. 2
1400 CA BUSSUM
Tel: (0)2159 - 99117
Tlx: 433050
The Netherlands

III. Pembroek B.V.
Industrieweg 3 - 22
P.O. Box. 34
1230 AA LOOSDRECHT
Tel: (0)2158 - 1355
Tlx: 43215
The Netherlands

Special interest in herbs,
botanical plants and essential
oils.

IV. Vermeer Agenturen
Engeland laan 276
P.O. Box. 3012
2001 DA HAARLEM
Tel: (0) 23-340511
The Netherlands

Agents, Essential Oils.

V. Benhhard Themans Handelsmij
Poulinkstraat 13,
P.O. Box. 115
7200 AC ZUTPHEN
Tel: (0) 5750 - 16241
Tlx: 49089
The Netherlands.

- VI. PFW (Nederland) BV
Nijeverheidsweg 27
P.O. Box. 3
Tel: (0) 33 - 630444
Tlx: 79421
The Netherlands
- VII. Firma Jan Boascher
H. Colleniusstraat 31
9718 KS GRONINGEN
Tel: (0) 50 - 137831
The Netherlands
- VIII. Flavodar B.V.
De Eng. 3
5316 BD DELWIJNEN
Tel: (0) 4185 - 678
The Netherlands
- IX. Du Crock Aromatics
International B.V.
Yesselmeerstraat 14
P.O. Box. 6
1270 AA AUIZEN
Tel: (0) 2152 - 53742
Tlx: 43369
The Netherlands.
- Importer/Agent, starches
fours, essential oils
binding agents.
- Manufacturer, importer, agent.

Statistics

In all the exercise of marketing it is very necessary to have realistic and full statistics of the commodity in question. It is therefore very necessary to have up-to-date statistics of Exports - Itemwise, valuewise and countrywise. This would help to grow and develop the existing cultivation or abandon some of them based on market trends. It would help to develop or diversify the markets. It is therefore suggested that a Data Bank should be established under the Umbrella of of Trade Promotion Centre to have monthly statistics of the products exported from Nepal. The feedback arrangement should that the customs at the border post supply the figures of outgoing on a continuous basis to the Trade Promotion Centre with all the details and descriptions for the Trade Promotion Centre to Company duly the same.

This statistics should clearly show the material specifically instead of the normal procedure of mentioning "Other". Value and quantity and destination to enable the trend of exports Border Post exported from etc. should be insisted upon.

Meeting

Meeting with Trade Promotion Centre - Mr. Gautam
Nepal Chamber of Commerce - Mr. M.K. Agrawal
Meeting with Exporters - Trade Promotion Centre
Herbs Production and Processing Co. Ltd- Dr. A. Sheak
Meeting with Nepal Pharmaceutical Association -

Meeting with Trade Promotion Centre, Mr. Murari Prasad Gautam,
Chief Officer, International Market Study Unit - Pre-conditions
for Exports of Medicinal Plant:

1. Registration with Chamber of Commerce.
2. Registration with Department of Commerce.
3. Payment of Royalty - Obtain permission from the Department of Forest - Prior to collection. Time limit between one month and three months for collection procurement packing and exports.
4. No Export Licence needed for export of Medicinal Plants.

Documents for Exports

- a) Royalty Certificate - For price and export price.
- b) Export Declaration Form.
- c) In Registration Certificate.
- d) Certificate of origin from Chamber of Commerce.
- e) G.S.P. Certificate from Trade Promotion Centre. Transit Declaration Form to be signed at the entry and exist points - special shed for storage from Calcutta Port.

Export to India require only Royalty Certificate along with Customs Declaration Form. All Exports exceeding Rs, 1000.00 Nepali Rupees require to be covered by letter of credit.
Sub-committee functioning for Medicinal Plants.

Meeting with Nepal Chamber of Commerce, Mr. M.K. Agrawal, Hon'

General Secretary - highlighted the function of the Chamber of Commerce and the registration formalities followed by the Chamber - Ordinary and registration membership. The registration is a prerequisite for being registered with the Department of Commerce before any export, undertakes Exports. The Chamber does not collect any Export Statistics but only issue certificate of origin based on certain documents. The Export statistics are detailed by the Trade Promotion Centre.

Only Export Licence given at a time with six months validity. Export licence specifies the value, quantity and country to be exported.

The next export licence issued only after the full utilisation of the first export licence even if any order is received in between. This condition inhibits the exporter to receive orders and comply with other orders in the absence of an Export Licence.

Suggest the relaxation of this condition by issue of more than one licence at a time on actual receipt of order and the bonafides of the Exporter is satisfied by a competent Governmental Authority - Depth of Commerce for regular exporter with proven performance of past three years performance.

Export valuation committee under TPC for review of Export Prices vis-a-vis International Prices.

Meeting with Exporters - At the request of the consultant the General Manager of Herbs Production and Processing Company Limited had requested the Trade Promotion Centre, Kathmandu, Nepal to arrange a meeting of major Exporters. The Trade Promotion Centre was given a copy of the Questionnaire of both the Medicinal Plants and Essential Oils as per Annexure I and II. The same was circulated by the Trade Promotion Centre to known Exporters - as per the list at Annexure III.

The meeting was convened at 2:20 P.M. on 18th May 1986 in the Office of the Trade Promotion Centre. However, the attendance was nil except for the attendance of the General Manager of the Herbs Production and Processing Co. Ltd. along with his Sales Officer and Officers of the Trade Promotion Centre.

The discussions were of a very general nature and ways and means of augmenting exports were discussed.

Meeting with General Manager, Herbs Production and Processing Company Limited, Kathmandu, Nepal - The consultant had a long and very useful discussion with the General Manager Dr. Asfaq Sheak about the present exports of the company and its future plans. The company is making its best efforts not only to increase its present existing items exports but also plans new product exports under the guidance and directions of both the Chief Technical Adviser and the General Manager.

The Company suffers from Marketing Intelligence and lack of good and long term buyers. Every effort is being made to get to the buyers/brokers/agents etc.

The names of reliable and known agents/buyers etc. are contained in this report and this should serve as a guide to the company.

Meeting with Nepal Pharmaceutical Association - The consultant had also a meeting with the members of the Nepal Pharmaceutical Association on 3rd May 1986. The topic of talk was marketing of "Medicinal and Aromatic Plants including its derivatives with emphasis on Exports".

The meeting was very useful and enlightening with a Question and Answer Session.

The Consultant highlighted the importance of plants in the Pharmaceutical Industry both indigenous and Allopathic systems and the need for its utilisation in the local industry and emphasis on Research and Development. Imports could be reduced if the above is followed. Emphasis was also laid on the prospective planning and production of bulk drugs, yet another aspect to conserve foreign exchange.

Conclusions

In conclusion it could be summarized that it is necessary to take the following steps for more and better exports.

01. The efforts of both the Herbs Production and Processing Company and the Trade Promotion Centre has to be geared up to meet the challenges of exports in terms of Quality, Quantity and timely supplies at competitive prices in keeping with International marketing. It is also necessary for the Trade Promotion Centre to concentrate on Marketing Strategy, Market Intelligence and Propagation of Nepali Products Overseas with wide publicity, sponsoring delegations and inviting delegations etc.
02. Building international contacts more meaningfully and on long terms basis to achieve better results.
03. Necessary regulatory steps are to be taken by His Majesty's Government to better exports.
04. Planning of Cultivation and manufacturing Herbal Extracts or Essential Oils keeping in view with International Demand.
05. Efforts are to be made by constant dialogue with overseas buyers/brokers/perfumers for buy back arrangements of manufactured products.
06. Assistance and active cooperation of His Majesty's Commercial Representatives abroad for propagation and assistance in locating meaningful and long time buyers of the Nepalese products regularly.
07. Overseas Market Study should be carried out both by the Representatives of Herbs Production and Processing Co., Trade Promotion Centre and private exporters with Governmental Assistance for contacts, pricing, New Product Development, cultivation etc.

08. Cashing on Monopoly products like Sugandha Kokila and using it as a lever for other products exports.
09. Developing known Indian Manufacturing Companies and Traders for exporting Nepalese products to third countries.
10. Finally export be treated as priority sector and the export culture be inculcated in the Nepali exporting community.