

# TRADE 077

Semi-Annual Publication



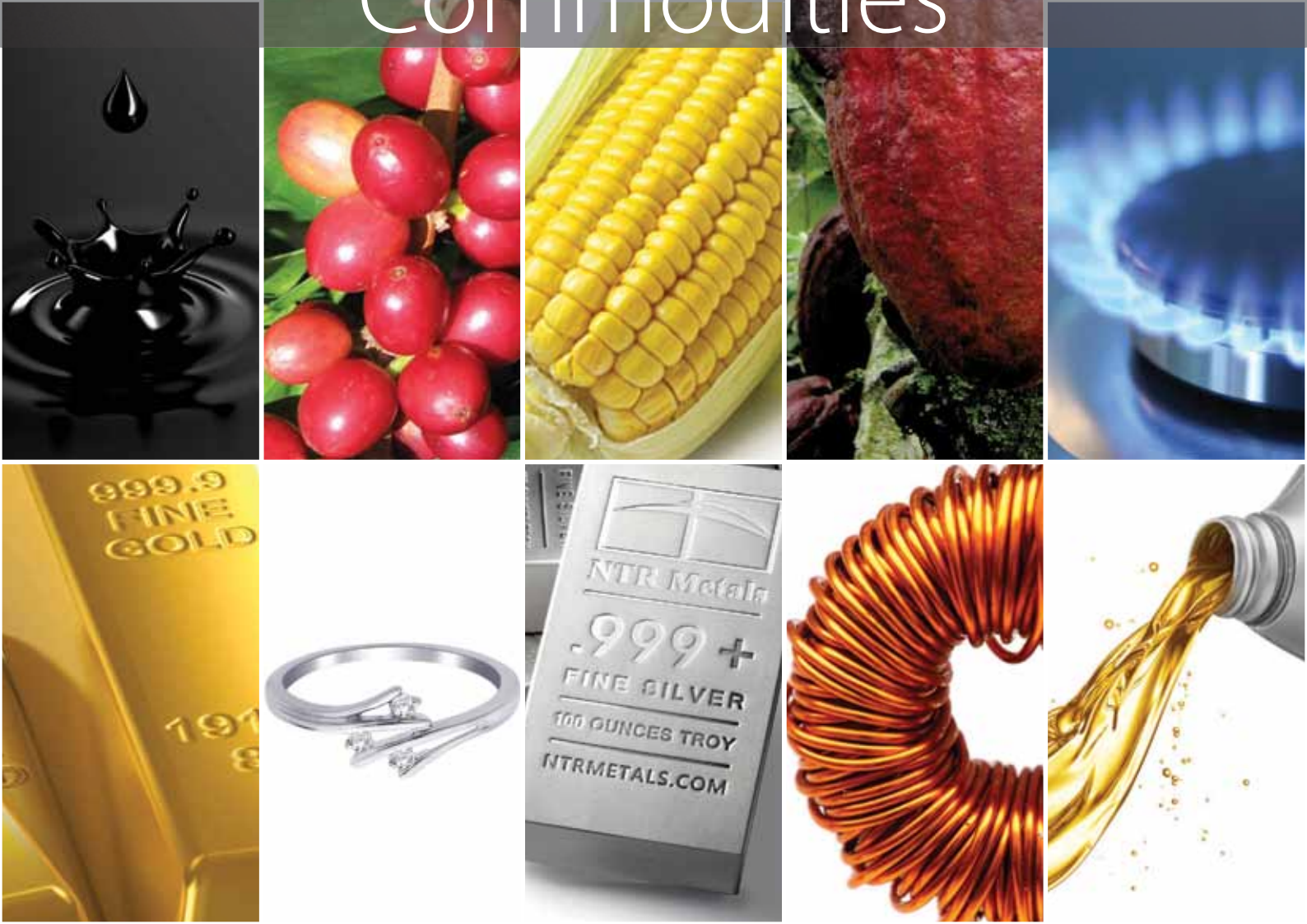
Mercantile Exchange Nepal Limited

Invest - Trade - Earn

AN ISO 9001:2008 CERTIFIED EXCHANGE



# Commodities





# Editorial

Few Lines...

*"The woods are lovely, dark and deep,  
But I have promises to keep,  
And miles to go before I sleep,  
And miles to go before I sleep."*

When Robert Frost wrote these lines in the poem, "Stopping by Woods on a Snowy Evening", many were dumbfounded by the intrinsic connotations of the lines which was assumed to be dark and uncertain – like the road less traveled. Similarly, when the editorial team sparked upon this new idea of preparing a semi-annual publication to armor the mass with relevant information of this market, raised eyebrows and shrugging of the shoulders are what we received. A new venture will definitely receive such negativity but our endeavor of educating the mass with detailed research publication will eventually eradicate such negativity and raise the pedestal for other commodity exchanges to follow. The trade-off

between the risk of the venture and the returns for the readers will certainly dilute into a rewarding experience for both parties. **"Trade Off"** is here to stay!

In the inaugural edition, the team has included articles and research papers enveloping the various aspects of the commodity market. In **Commodity Market at a Glance**, the writer has furnished the importance of the commodity market to the national economy in general. The article is focused on the driving factors of commodity exchanges and also enumerates the unique **Take & Give** factors in the Nepali Perspective. In the compilation titled, **An Overview of Nepali Economy**, the writer has analyzed the recent developments in the macroeconomic indicators. For a developing economy, it is imperative to comprehend the various pointers which gauge the direction of the economy as a whole. The commodities i.e. **ginger** and **nickel** have been

considered in the local and international commodity research respectively. The research papers have been dissected to provide the readers an in-depth analysis of why the corresponding commodities have assumed an important role on the domestic and international front. **MEX Datamine** finally concludes our publication by furnishing the OHLC prices of the corresponding commodities.

We earnestly hope that the readers will find the information helpful and informative. We also urge our readers to provide us their invaluable suggestions for the improvement of future editions.

***Dawn of new-age information is  
here- Trade Off!***



R & D Team

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# Commodity Market at a Glance!

A commodity derivatives market, which has existed from time immemorial, is driven by proven producers of the commodities and investors to manage their business and financial risks. Investors are those who manage their exposure with the price that they receive for their commodities.

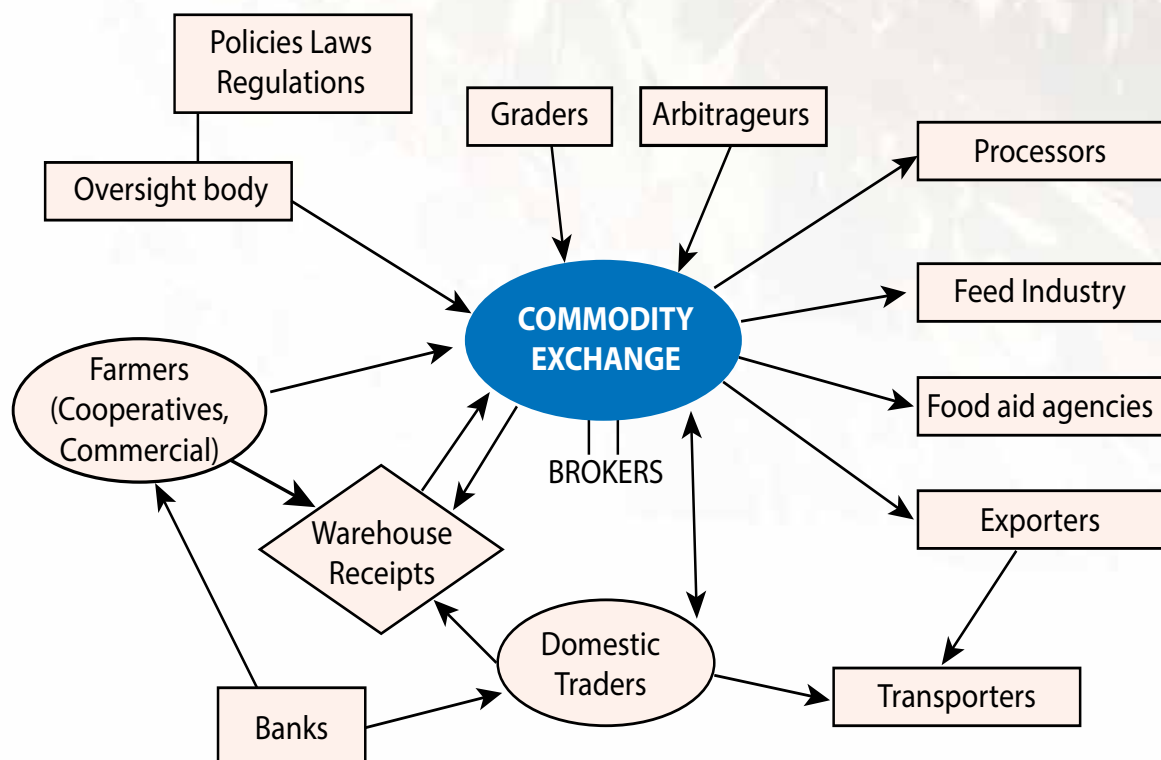
Their main focus would be on the contracts to sell their product and ultimately end- users need to hedge their price at which they can purchase the commodities. Investors and financial intermediaries can either buy or sell commodities through the use of derivatives. They invest capital which is essential to facilitate the business of the producer and end-users. Food companies need to hedge the risk of price changes in green coffee, cocoa beans, cereals, milk and other commodities they sell.

In today's world, the commodity derivative market is global, which includes both the exchange-traded and over-the-counter (OTC) derivative contracts that consist of several segments-

agricultural products, plastic products, power, precious metals, weather & freight and many more. There are companies of all sizes and shapes and cover different areas i.e. manufacturing companies, energy companies, farmers, agriculture and food companies, and IT companies. All of the companies contribute to the supply of the required commodities, with the astonishing fact that the world's population is expected to reach 9 billion in 2050 which would be a challenge for the producers, market intermediaries, policy makers, international organizations and governments.

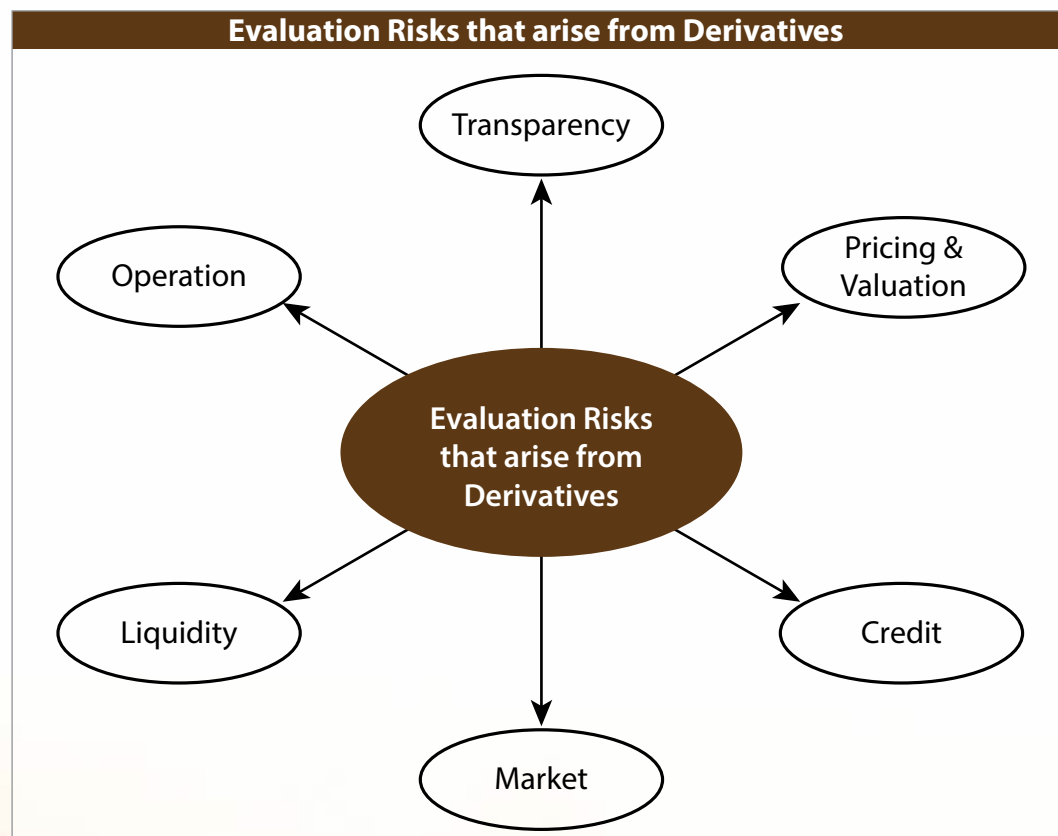
As commodity prices appear to be driven by economic and market condition in the emerging market economies, these economies play a more active role in global industrial production. The figure below depicts the principal component of commodity prices and the economic and market conditions of emerging and advanced economies and also reports to analyze links between commodity markets developments and global economic conditions.

## Actors in the Commodity Exchange System



Geopolitical tensions impact the economy via commodities where commodity supply disruptions may be low. At this point of time the stability of prices and financial markets provides support to the global economy. However, it is important for policy makers to monitor commodity market developments.

individual will buy a position in the futures market at today's price. So, even if the price rises from Rs 20/kg to Rs 23/kg in a month, he will get a price of Rs 20/kg from the seller at the end of the contract. This act of buying long positions to avoid upside risk in the futures market is called long hedging.



Similarly, if a farmer anticipates that the price of wheat might fall from Rs 50/kg to Rs 40/kg, he will sell future contracts at today's price (i.e. Rs 50/kg). So, even if the price falls to Rs 40/kg, he will still get Rs 50/kg according to the contract. This act of selling positions in the future market in order to protect one's investments against downside risk is called short hedging.

### Price Discovery

A commodity exchange is any organized market place where trade, with or without that physical commodities, is funneled through a single mechanism, allowing for maximum effective competition among buyers and among sellers. The fact of having a single market mechanism to bring together the buyers and seller at any point in time effectively results in the greatest concentration of trading for the given commodity. This market mechanism, such as the price bidding system or any auction system, results in what is known as price discovery, i.e. the emergence of the true market-clearing price for a commodity at a particular time.

Chicago market reveals that in 1848 the Chicago Board of Trade opened as a central place where farmers and traders could meet to exchange cash for immediate delivery of wheat, as both producers and buyers experienced that advantages of this system, it was a matter of year before farmers and traders evolved the practice into what we see today.

## Major Driving Factors of Commodity Markets

### Hedging

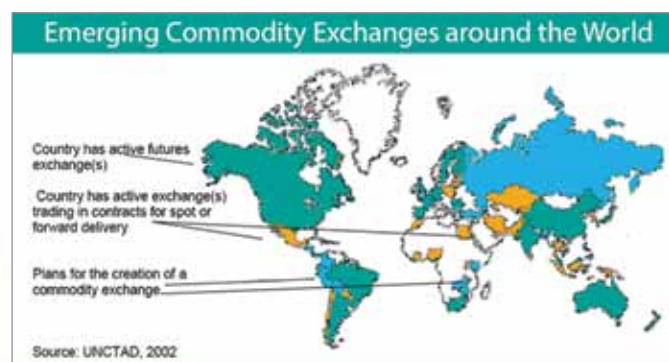
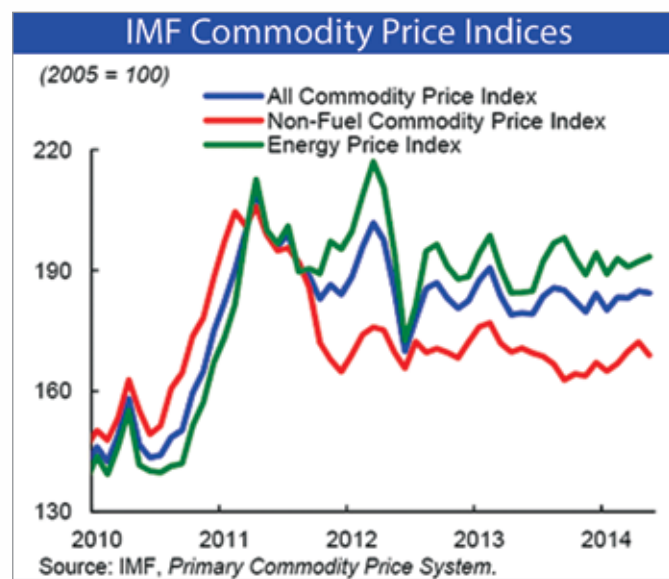
Hedging refers to the compensation of loss/profit in one market by profit/loss in other market. Hedging with futures can be considered as ways to counter the problems arising from portfolio selection to minimize the overall risk.

The prices of commodities fluctuate constantly. If traders want to protect themselves from the risk of future fluctuations, they buy or sell positions in the futures markets.

Let us understand this with the help of an example. If an individual involved in sugar processing believes that the price of sugar - which is currently at Rs 20/kg - will increase in the coming months. The



## Global Economy & Commodity Markets



## A Nepali Perspective

In the context of the Nepali economy, where 80% of population depends upon agriculture for the livelihood, the fact that Nepal does not produce enough support to its population or it can be said that Nepal cannot manage its agro-economy, is a shameful status. However, the agro-economy of our nation is left to remain in the dark, but there are lots of options of light that can uplift this sector. Technically speaking, commodity market mechanism can be identified as the right approach and it can be seen that the commodity market is making a northern prosperous ride in a short period of time and would certainly prove that there exists a high positive sentiment over commodity market. Now, the burning question is how can commodity market contribute to resurgence of the Nepali economy?

There are “Take factors” and “Give factors” that justifies the necessities of commodity exchange in Nepal.

### “Take factors”

- Potential for reaching an important and growing regional market as well as international market
- Increased opportunities provided by increasing local food aid procurement
- Cash-based safety net transfers which create more local demand for grains
- A growing number of domestic processing firms that require a better product
- The emergence of grain exporters seeking a better organized domestic market
- Increased opportunities by the development of the livestock sector

### “Give factors”

- The emphasis on commercialization of smallholder farmers and quality-based production in the country’s Rural Development Strategy
- The presence of a large domestic grain market
- The emergence of new market-oriented cooperatives and unions to bulk up the produce and organize farmers’ market participation
- The emergence of new market factors such as commercial farms and larger-scale traders
- The establishment of a national warehouse receipts system

However, there are other features of Commodity market that can help to establish the agriculture sector securing more and more investment and entrepreneurship. As the exchange is developed, the market has to develop in a synergistic manner where policymakers and all levels of private sectors, cooperatives, and producers themselves foster dialogue to enable the market to work for everyone.



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# An Overview of Nepali Economy

The recent development in the macroeconomic indicators has been in the positive trend, but the usefulness of the same remains the question. The economic growth rate has been lower than the estimate on one hand whereas the inflation rate, the trade deficit and the remittance has been in the rising end.

Though the estimated growth rate of the GDP was 5.5 percent, the GDP growth rates remained much less, less than the growth rate of previous year (4.5 percent). The GDP growth rate at the basic price showed the rate of 3.56 percent whereas the growth rate at the producer's price did not cross 3.7 percent. This justifies the lack of proper research and development (R&D) in the making of plans which not only made the targets ambitious but also did not help tackle the contingencies that would come in between the smooth implementation of the development program. The most contradictory part of the macroeconomic planning remains that the priority of the

Nepali macro economy is agriculture; and the GDP of the agriculture sector shows increment by a frustrating 1.3 percent compared to the growth of 5 percent last year. The non-agriculture sector, though, is expected to deliver the growth rate close to 5 percent. The recent per capita GDP of the country is \$717 whereas the per capita GNI is \$721 but the socio-economic phenomenon show that almost 80 percent of the nation's income or wealth is owned by the top 20 percent earning population of the country which brings the effectiveness of the per capita GDP under question. The recent per capita GDP in the base price of 2000/01 is Rs. 25,545.00 whereas the same in the current price is Rs. 62,510.00 which signifies the killer inflation rate the country is facing. The facility of the social security lacks in our country which asks to develop the saving habit to prepare for the future contingencies but the savings rate as per the GDP still looks sinking down which is yet not a good sign for the overall economy.

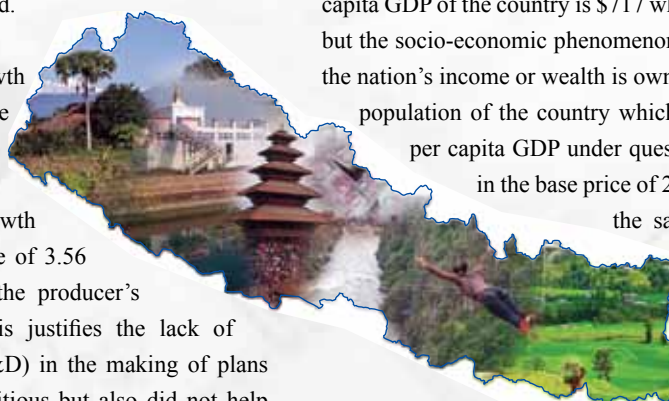


Table - 1

GDP & Related Indicators								
Indicators		Fiscal Years						
		06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Real GDP (At Basic Price)*	Rs. in Billion	493.70	522.30	542.70	565.80	587.50	613.90	635.80
Growth Rate	Rs. %	2.8	5.8	3.9	4.3	3.9	4.5	3.6
Real GDP (At Producer's Price)	Rs. in Billion	532.00	546.50	590.10	618.50	639.70	670.70	695.20
Growth Rate	In %	3.4	6.1	4.5	4.8	3.4	4.6	3.7
Nominal GDP (At Producer's Price)	Rs. in Billion	727.80	815.70	988.30	1192.80	1375.00	1536.00	1701.20
Per Capita GDP	U.S. Dollar	410	491	497	610	718	706	717
Per Capita GNI	U.S. Dollar	414	496	502	614	722	713	721
Per Capita GDP (In 2000/01 Price)	Rs.	21129.00	22110.00	22793.00	23561.00	24144.00	24979.00	25545.00
Per Capita GDP (in current price)	Rs.	28905.00	31946.00	38172.00	45435.00	51896.00	57202.00	62510.00
Gross Consumption/GDP	In %	90.20	90.20	90.60	88.60	85.50	88.50	90.70
Gross Domestic Saving/GDP	In %	9.80	9.80	9.40	11.40	14.50	11.50	9.30
Gross National Savings/GDP	In %	28.60	33.20	35.90	35.90	37.40	40.00	38.40
Gross Fixed Capital Formation/GDP	In %	21.10	21.90	21.40	22.20	21.30	20.00	21.20
Gross Capital Formation/GDP	In %	28.70	30.30	31.70	38.30	38.40	34.90	37.80
Gap between Gross Domestic Savings & Gross Investment/GDP	In %	-18.90	-20.50	-22.30	-26.90	-23.80	-23.40	-28.50

Source: Economic Survey 2012/13, Ministry of Finance



## An Overview of Nepali Economy

When an open economy is dealt about, the external sector (or rest of the world) which gives scope for the exports and imports of goods and services becomes an important dimension. In recent days, Nepal has become a highly import-based economy, for two reasons basically- inefficiency and lack of prioritization. After the double digit growth rate in exports last fiscal year, the exports growth rate has again come down; on the contrary, the import growth rate has advanced further. The growth rate of trade deficit has also shown above 23 percent. The remittance income has significantly grown up but effects have been minor- though the consumption part of the GDP has shown growth, the investment part remains pathetic which will certainly add burden in the long run. Though the expenditure on

tourism has shown some growth, the effects are not at all seen in the income from tourism which again raises questions on the unplanned and ineffective investments in the tourism sector. The BOP status has also gone down significantly and there is a slight increment observed in the Foreign Exchange Reserves. Though the Foreign Exchange Reserves has shown slight increment, the reserves are sufficient for our goods imports only for 10.2 months which should at least be 12 months and if imports of services are also added, the sufficiency time decreases further to 8.7 months. Though the strategy is always said to be about establishing import-substitution industries, the statistics do not support the implementation of the same.

Table - 2

External Sector								
Indicators		Fiscal Years						
		06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Export (Goods)	% change	-1.4	-0.2	14.2	-10.2	5.8	15.4	4.2
Import (Goods)	% change	12.0	14.0	28.2	31.6	5.8	16.5	20.4
Export/Import Ratio	% change	30.5	26.7	23.8	16.2	16.2	16.1	13.9
Trade Deficit	% change	19.2	20.2	33.3	44.6	5.8	16.7	23.5
Remittance Income	Rs. in Billion	100.1	142.7	209.7	231.7	253.6	359.6	430.0
Remittance Income	% change	2.5	42.5	47.0	10.5	9.4	41.8	19.6
Current Accounts Balance	Rs. in Billion	-0.9	23.7	41.4	-28.1	-12.9	76.0	26.5
Export/GDP	In %	8.2	7.3	6.9	5.1	4.7	4.8	4.0
Import/GDP	In %	26.8	27.2	28.8	31.4	28.9	29.6	29.0
Total Trade/GDP	In %	34.9	34.5	35.6	36.5	33.6	34.4	33.0
Trade Deficit/GDP	In %	-18.6	-19.9	-21.9	-26.3	-24.2	-24.9	-24.9
Income from Tourism/GDP	In %	1.4	2.3	2.8	2.4	1.8	2.0	1.7
Expenditure on Tourism/GDP	In %	2.2	2.6	3.2	2.7	2.0	1.7	2.4
Remittance Income/GDP	In %	13.8	17.5	21.2	19.4	18.5	23.1	22.4
Current Accounts Balance/GDP	In %	-0.1	2.9	4.2	-2.4	-0.9	4.9	1.4
Balance of Payments	Rs. in Billion	5.9	29.7	44.8	-3.3	2.2	131.6	11.8
Foreign Exchange Reserves	Rs. in Billion	165.1	212.6	286.5	268.9	272.2	439.5	453.6
Foreign Exchange Reserves	% change	0.1	28.8	34.8	-5.4	1.2	61.5	8.0
Capacity of Reserves to cover Import of Goods	Months	10.6	11.7	12.2	8.7	8.4	11.6	10.2
Capacity of Reserves to cover Import of Goods & Services	Months	8.7	9.4	10.0	7.4	7.3	10.3	8.7

Source: Economic Survey 2012/13, Ministry of Finance

The main objectives of Monetary and Fiscal Policies are to control inflation, to promote economic growth, to promote external sector stability, full employment and equitable distribution of income and wealth in the nation. This fiscal year, we can observe there is remarkable reduction in both Narrow and Broad Money supply of the economy. There has been reduction in the growth of Net Foreign Assets due to increment in imports and comparatively low growth in remittance inflow. However, the deposit mobilization in this fiscal

year has been increased due to the growth of private sector. Thus, the consolidation would show that due to the remarkable reduction in current deposits there has been reduction in Narrow Money supply and due to the reduction in fixed and saving deposits there has been reduction in Broad Money supply. Hence, there should be the proper utilization of various monetary as well as fiscal policies instruments so as to strengthen the economic system of the nation.

## An Overview of Nepali Economy

Table - 3

Money & Banking								
Indicators		Fiscal Years						
		06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Narrow Money Supply (M1)	% change	12.2	21.6	27.3	8.0	5.2	18.5	1.6
Currency	% change	7.4	19.9	25.5	13.0	1.9	20.1	8.3
Current Deposits	% change	22.8	25.0	30.5	7.6	11.4	15.7	-10.5
Broad Money Supply (M2)	% change	14.0	25.2	27.3	14.1	12.3	22.7	6.2
Fixed & Saving Deposits	% change	14.9	27.0	27.3	15.5	14.8	24.0	7.6

Source: Economic Survey 2012/13, Ministry of Finance

Revenue earning and the expenditure pattern are the most important phenomenon associated with the Public Finance in an economy. All other things revolve around these basics. Coming to the latest year, the revenue generation shows a decrement of around 5 percent from the previous year, the reason for this might be the shrink in the business that was observed due to the effects of pre and post-election. It would look interesting to see that the government expenditures in totality has increased but as usual, the trend show that the expenditure on capital and development heading has increased with randomized effects in the implementation. The encouraging news also would be that both the tax and non-tax revenue has increased per unit of GDP but the government expenditure as per the GDP has not shown significant increment which is deepened due to the problem of inefficiency. Foreign grants have decreased and foreign loans

have increased which might not give good impression but one has to realize that there is no free lunch in the world and the habit of easy money worsens the habit further. Loans, at least give some burden to the country to improve efficiency which has not been observed significantly in the least developed or developing economies. Total outstanding debt is seen decreasing slightly but since the foreign debt is greater than the domestic debt and the dollar rates are hiking like nothing as a result of comparatively weakening Indian currency, the scenario might not look good in coming days. But there is one thing the people in the country can cheer about, i.e. earlier a child in Nepal would born with a debt of Rs. 19,484 but now the loan amount has slightly decreased and so a child is born with a loan amounting Rs. 18,780 only. The overall scenario of the public finance looks slightly improving.

Table - 4

Public Finance								
Indicators		Fiscal Years						
		06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Revenues	% change	21.3	22.7	33.3	27.3	11.4	23.2	18.5
Total Government Expenditures	% change	20.5	20.8	36.1	18.2	13.7	14.8	19.4
Recurrent Expenditure	% change	15.1	18.6	39.7	18.2	12.6	15.8	14.6
Capital Expenditure	% change	34.2	34.7	36.6	23.5	16.8	8.6	28.7
Debt Servicing (Principal & Interest)	% change	12.2	-0.7	18.6	5.3	5.4	17.9	N/A
Revenue/GDP	In %	12.1	13.2	14.5	15.1	14.7	15.9	17.0
Tax Revenue/GDP	In %	9.8	10.4	11.8	13.4	12.9	13.8	14.8
Non-Tax Revenue/GDP	In %	2.3	2.8	2.7	1.5	1.5	2.1	2.2
Total Government Expenditure/GDP	In %	18.4	19.8	22.2	21.8	21.5	22.1	23.8
Foreign Grants/GDP	In %	2.2	2.5	2.7	3.2	3.3	2.6	2.7
Budget Deficit/GDP	In %	4.1	4.1	5.0	3.5	3.6	3.5	3.7
Foreign Loan/GDP	In %	1.4	1.1	1.0	0.9	0.9	0.7	1.5
Domestic Loan/GDP	In %	2.5	2.5	1.9	2.5	3.1	2.4	2.2
Total Outstanding Debt	Rs. in Billion	332.7	375.6	425.1	440.4	443.6	523.2	511.1
Outstanding Domestic Debt	Rs. in Billion	103.8	116.0	125.7	148.1	184.2	213.9	211.7
Outstanding Foreign Debt	Rs. in Billion	216.6	250.0	277.0	256.2	259.6	309.3	299.4
Per Capita Outstanding Debt	Rs.	13212.0	14711.0	16416.0	16773.0	15576.0	19484.0	18780.0
Total Outstanding Debt/GDP	In %	45.7	46.1	43.0	36.9	32.3	34.1	30.1
Outstanding Domestic Debt/GDP	In %	15.9	15.4	15.0	15.4	13.4	13.9	12.4
Outstanding Foreign Debt/GDP	In %	29.8	30.6	27.9	21.5	18.9	20.1	17.6

Source: Economic Survey 2012/13, Ministry of Finance

## An Overview of Nepali Economy

In the context of Nepali Economy, the biggest challenge is to bring the inflation rate to single digit. This fiscal year also the Consumer Price Index (CPI) is 10.6% which is 2.3% higher than previous year's CPI. Basically, CPI is based on the inflation rate on food and non-food items and the prices of which are in the increasing trend of 11.3% and 9.3% respectively. Since last 4 years GDP Deflator is in decreasing trend but this fiscal year the GDP Deflator is in the constant rate of 6.7% as that of previous year. The observations show

direct and indirect dependence of more than 80% of the population on agriculture sector in the country but with the lack of advancement in the agriculture as well as primary sector the growth of this sector had gradually reduced. Thus, we can vividly observe the fluctuations in the growth rate of primary sector. Besides in the secondary sector also we cannot find sufficient growth as expected, the main reason behind this could be the reduction in the growth rates of industrial outputs along with the shutdown of big industries.

Table - 5

Price		Fiscal Years						
Indicators		06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Consumer Price Index <sup>3</sup>	% change	5.9	6.7	12.6	9.6	9.6	8.3	10.6*
GDP Deflator <sup>2</sup>	% change	7.3	5.6	16.1	14.4	11.7	6.7	6.7
Primary Sector	% change	6.1	3.3	21.4	25.1	15.6	3.1	6.2
Secondary Sector	% change	5.7	11.0	14.4	9.2	13.6	3.6	9.3
Service Sector	% change	8.3	5.3	12.9	8.9	8.2	10.4	6.3
Wholesale Price Index <sup>4</sup>	% change	9.0	9.1	12.8	12.6	9.8	6.4	9.8*
Salary & Wages Rate Index <sup>5</sup>	% change	9.8	9.7	15.3	17.2	18.0	27.4	7.8
Salary	% change	6.3	10.9	10.5	20.2	0.0	19.3	0.0
Wages	% change	10.9	9.4	16.9	16.3	24.0	29.6	9.6

Source: Economic Survey 2012/13, Ministry of Finance

<sup>1</sup>Annual Preliminary Estimates; <sup>2</sup>Base Year 2000/00=100; <sup>3</sup>Base Year 2005/06=100; <sup>4</sup>Base Year 1999/2000=100; <sup>5</sup>Base Year 2004/05=100;

<sup>6</sup>Annual Average of Buying and Selling Rates

\* Data for the first 10 months of the current fiscal year to the extent available, while it is for eight months in respect of other fiscal years.

##Including the data of Development Banks and finance companies since July 2010.

@Prior to reduced Bank Service Charge of March/April, 2012

Capital grants that used to be accounted for capital expenditures in the past have been included in current expenditures from FY 2011/12 following IMF's GFS reclassification. Similarly, share and loan investment in public enterprises has also been removed from the capital grant budget head.

**Note:** Ratio of GDP is calculated at the current producers' Price. Some figures are updated accordingly as they are updated by the sources themselves.



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# Ginger

“

Some of the major ginger producing districts in the country are Ilam, Panthar, Terhathum, Kavre Palanchowk, Palpa, Nawalparasi, Tanahu, Kaski, Dang, Salyan and Pyuthan.

”



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# Ginger

## Introduction

Ginger is one of the important cash crops which is grown in the mid hill areas of Nepal. It is one of the popular spices in Nepali culinary preparation and also being used for Ayurvedic medicine purposes. Normally, ginger grows at an altitude 600 to 1600 meters from sea level. Therefore, mid hill areas of Nepal are one of the favorable locations as per the geographic positioning and climatic condition for the ginger farming. Some of the major ginger producing districts in the country are Ilam, Panthar, Terhathum, Kavre Palanchowk, Palpa, Nawalparasi, Tanahu, Kaski, Dang, Salyan, and Pyuthan. Generally, ginger being produced in Nepal are graded, cleaned and packed in jute or plastic sack for the export purpose. However, in some case, additional value is also added by converting fresh ginger into ginger powder (Suntho). In terms of variety of ginger being produced in the country, they are basically two types of variety i.e. Nase: Rhizome that contains fibers and Bose: Rhizome which is fibreless or with negligible fibers.

The recent trend in the ginger shows that it's growing as one of the popular agro commodities in the mid hill region of the country. As per the annual report released by the Ministry of Agriculture, the total area for ginger cultivation in the country stands at 19,376 hectare for the year 2012/13. The total production stands at 235,033 metric tons for the same period which is 12.13 metric tons per hectare.

Nepali ginger market is dominated by the fresh ginger trading which are harvested during main season as well as off season. Generally, these gingers don't go through the phases of value addition. Moreover, local

ginger market in Nepal is run in traditional fashion which doesn't encourage farmer for the grading of the commodity. The lack of grading system in place means, the trader/exporter deducts certain quantity as per the soil content in the product and then exports it to the India. One of the major factors affecting the Nepali ginger market is lack of proper washing facility which is mostly located in the bordering town in India. Gingers are washed in the washing facility in India along with drying air circulation and placing them in jute sack which substantially adds value to the product. Some of the major ginger markets in Nepal are Birtamode, Palpa, Kathmandu (Kalimati Vegetable and fruits market) and Pokhara where ginger are priced and supplied locally and exported.

## Value Chain of Ginger Trading in Nepal

The value chain of fresh ginger is more or less same in all part of the country with slight differences between eastern and western market. At the start of the supply chain is the input suppliers which are basically governmental and non governmental agency working for the production and marketing of ginger. Here, agencies provide technical knowledge and input of some level to farmer. The next layer in the value chain is the farmers who basically grow ginger in the farmland. There are basically three different types of farmers involved in the ginger farming i.e.

- Small farmer with subsistence production;
- Small commercial farmer who grow

ginger targeting local and national market; and

### c. Large scale commercial producer

Local farmers of various scales sell their product to the cooperatives and road head traders. These agents who are based locally collect the gingers directly from the farmer. These agents collect the sorted ginger to some extent before loading to truck. Sorting of ginger is limited to removal of decayed and spoiled ginger. These agents then sell the ginger to the national traders who are normally active in the market of ginger and its product at national level. They sell ginger in the national market, national level manufacturer of ginger related product and also to the exporters. The ginger being sold by the national level trader to wholesaler and retailer consequently sells it to the local consumer. Likewise, in some cases they also directly export ginger to Indian market. The next chain includes exporter who purchase ginger mainly from national traders and in some case from co-operatives and road head traders. Some of these exporters also add value with activities like washing, cleaning and sorting. These kinds of value addition activities are more common among the eastern exporter as compared to western exporter.

Nepali ginger exporters export the locally produced ginger to the commission agents in India as most of the fresh ginger get exported there. These Indian commission agents who are mainly based upon major market hub in India and also in the bordering Nepali towns charge certain percent commission on total sales. At the same time, export business is performed on partial payment which means



## Ginger

some portion is paid by the commission agent at the time of export and rest they pay after ginger are sold in the market. The commission agents supply the ginger purchased from Nepali exporter to the Indian ginger wholesaler who in turn sells ginger to retailer.

### Problems associated with ginger farming

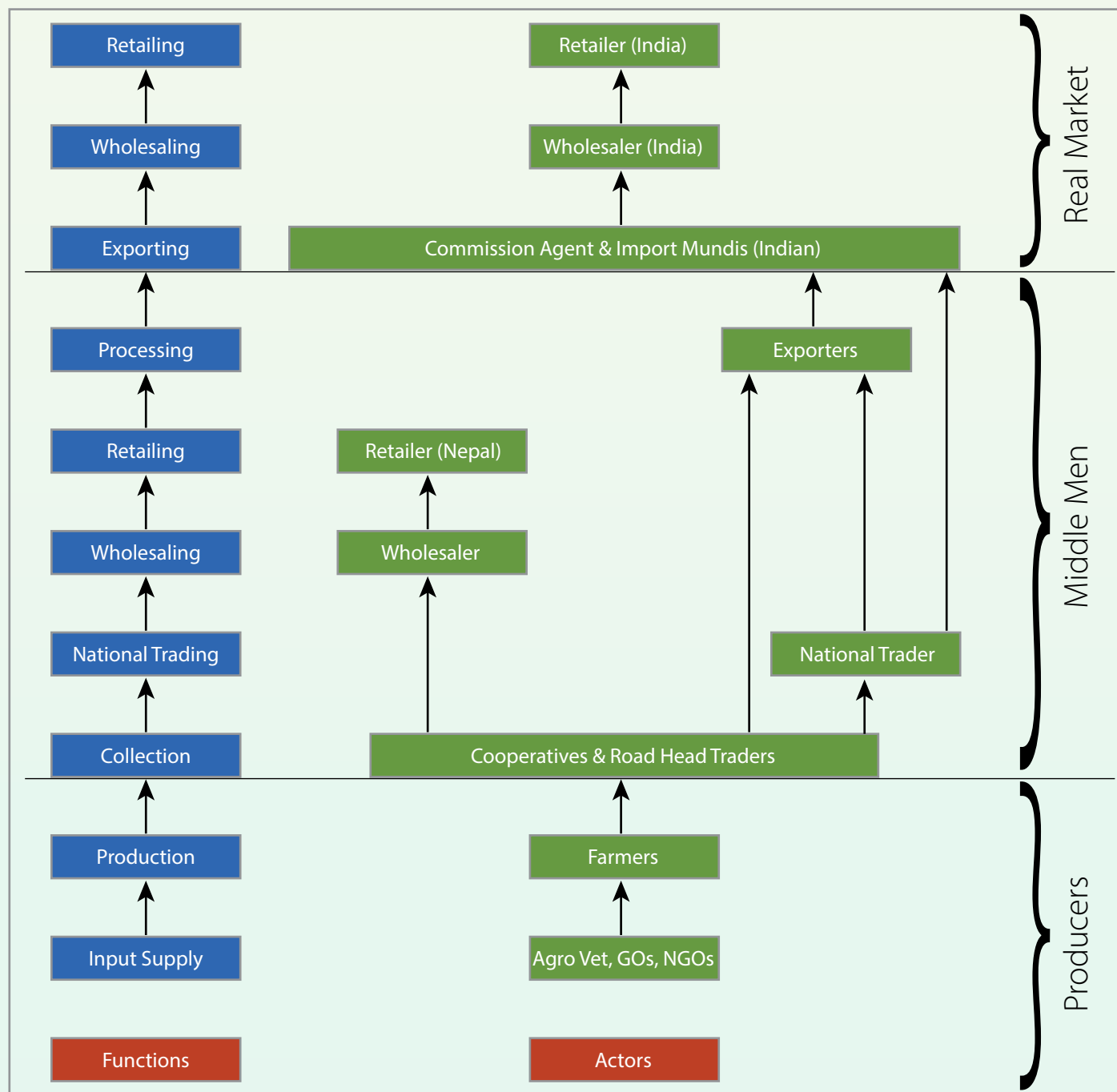
Some of the major constraints associated with the ginger farming are the lack of high quality of seeds as it hold major role in the quality output and productivity. Likewise, the measures are limited when it comes to the plant protection of ginger as local ginger also faces the problem of various diseases. At the same time, the cultivation practice is traditional in Nepal which results in high cost and low productivity. Farmers in Nepal are also behind when it comes to the adoption of modern practices. Another area of concern for the local ginger farming is the lack of knowledge and wrong practice in seed production and its storage. Meantime, farmers practice in post harvest handling is not up to market. The pose harvest practice like cleaning, sorting, grading and packaging which can substantially add value but haven't been adopted properly. In terms of marketing, farmer bargaining power is very weak due to the lack of collective bargaining. Moreover, the price volatility is also one of the major problems in Nepal where the price tends to be at very low level during the peak production export time whereas it tends to go high during off season.





## Ginger

### Value Chain Map of Ginger in Nepal



### Conclusion:

Ginger is one of the important spice crop which can be grown in the mid hill region of Nepal and can contribute immensely to the national economy. Ginger farming in Nepal is performed in traditional way which needs to be more scientific and should also be more commercial. With the use of modern agricultural techniques, production can be

increased immensely. Likewise, lack of infrastructure like proper storage facility and lack of value added infrastructure are also impacting the ginger sector which is limiting the farmers and locals to reap the benefit from this sector.

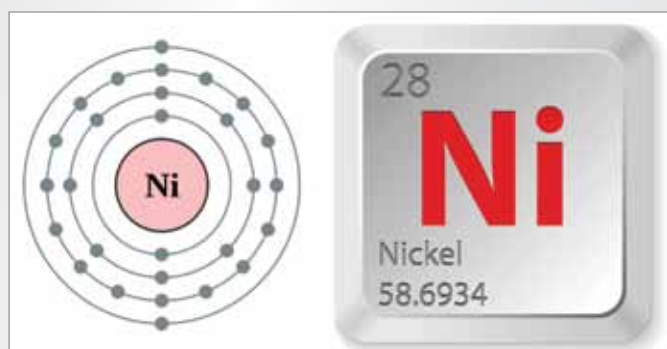
### References:

- <http://nepaltrade.org/sites/default/files/reports/Value-Chain-Market-Analysis-of-the-Ginger-Sub-Sector-in-Nepal1.pdf>
- <http://www.moad.gov.np/yearbook/YearBook2013Whole.pdf>

# Nickel

## Introduction

Nickel is a silvery-white glossy metal with chemical symbol Ni and atomic number 28. A commercially pure nickel has high electrical and thermal conductivity. It has corrosion resistant properties even at high temperature. A Swedish mineralogist Axel Fredrik Cornstedt discovered nickel in 1751 A.D. with Bureau of Mines, who initially confound its ore for a copper mineral. The element name of Nickel was derived from a mischievous elf of German miner mythology, 'kupfernickel' by disappointed miners hoping to extract copper from kupfer(a German word, copper) mineral. It is believed to



be among top 25<sup>th</sup> most abundant element in the Earth's core.

## Some Facts about Nickel

- Major nickel deposit sites have been found in the Sudbury region of Canada (possibly of meteoric origin), New Caledonia, Russia, South Africa, Philippines, Indonesia, and Australia.
- Indonesia produces approximately one sixth of the global nickel ore.
- More than 60% of nickel is used to manufacture stainless steel.
- Nickel is also used in many other products such as magnets, rechargeable batteries, electric guitar strings, microphone capsules, and as a green tint in glass.
- Nickel is silvery metal that resist corrosion even at high temperature.

## Fundamental Factors affecting Nickel

- The fundamental analysis reveals that, 75% of nickel price is determined by supply and demand. (The Institute of Finance at Ulm university research)
- Global nickel demand is heavily dependent on BRIC Nations and some other European nation.
- Supply side is governed by major exporting nations like Indonesia, Canada, Russia, Australia, New Caledonia, etc.
- USD being a dominant currency also plays a vital role for Nickel price change.
- Market information and macroeconomic factors only have

subordinate impact on the price.

- Nickel is capital intensive product i.e. their price is influenced by production related factors like labor patterns, tools and technologies used.
- Increase in consumption of stainless steel.

## International Scenario of Nickel Market

- The cost of nickel reached a two-year high of \$21,625 a metric ton on May 13, 2014.
- Spot delivery of refined nickel in China Stainless Steel Exchange reached 7,107 tons in May, 2014 due to Indonesia ore export ban.
- Nickel galloped more than 40 this year after Indonesia, the largest supplier to China, banned ore exports. Such price hikes can drive investor for speculative buying of Nickel.
- The growing political situation in Ukraine is also adding pressure to the nickel market.
- The World Steel Association forecasts that global apparent steel use will increase by 3.1% and 3.3 in 2015.

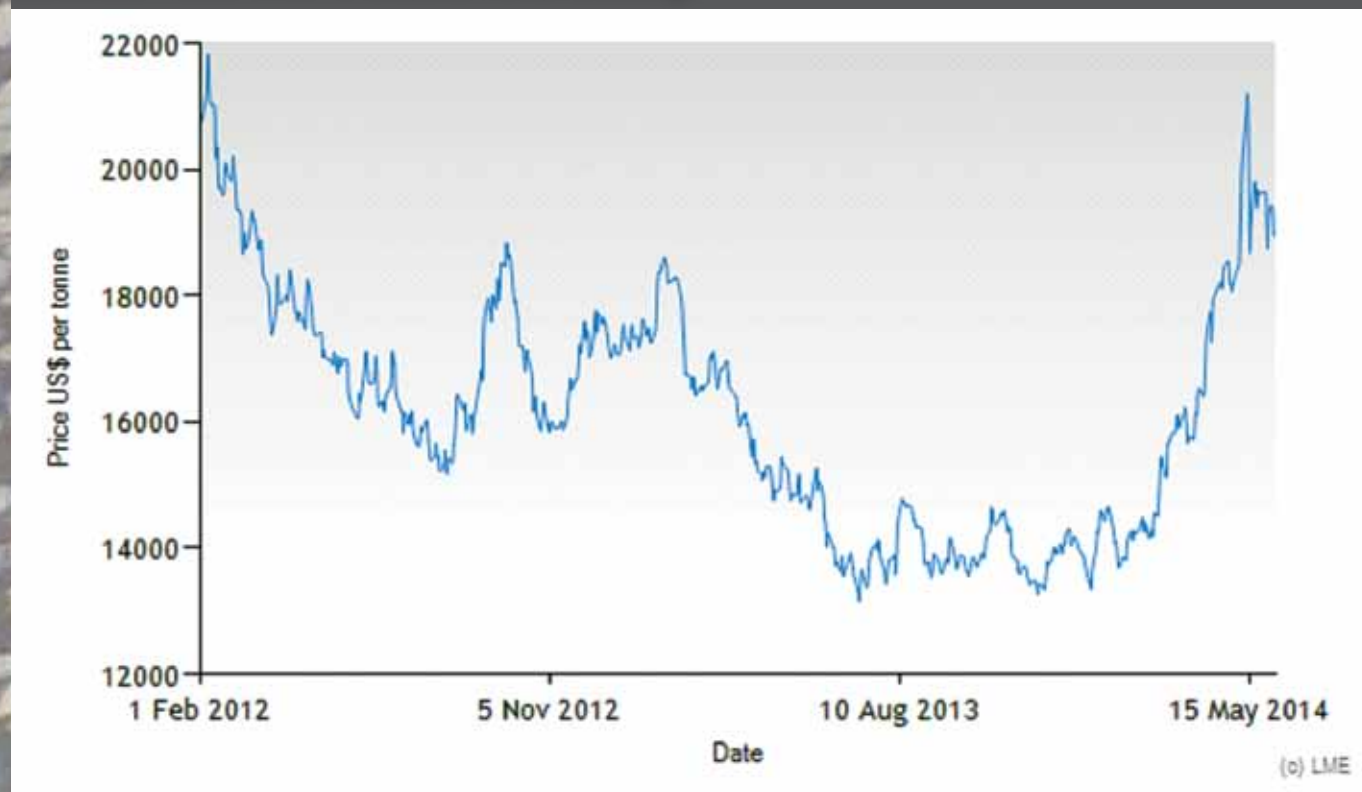
*Indonesia ban on its ore export will create shortage of Nickel in international market. There is possibility that demand of Nickel will hike and entry of speculators will be seen in the commodities trading of 2014/15.*

Nickel Production		
Countries	Mine Production (in metric tons)	
	2012	2013 (est)
United States#	-	-
Australia	246,000	240,000
Brazil	139,000	149,000
Canada	205,000	225,000
China	93,300	95,000
Colombia	84,000	75,000
Cuba	68,200	66,000
Dominican Republic	15,200	12,500
Indonesia	228,000	440,000
Madagascar	8,250	26,000
New Caledonia*	132,000	145,000
Philippines	424,000	440,000
Russia	255,000	250,000
South Africa	45,900	48,000
Other Countries	273,000	274,000
<b>World Total (Rounded)</b>	<b>2,220,000</b>	<b>2,490,000</b>
# The United States did not have any active nickel mines in 2010.		
* Overseas territory of France.		
(Source: U.S. Geological Survey, <a href="http://minerals.usgs.gov">http://minerals.usgs.gov</a> )		



# Nickel

## Historical Nickel Price of London Metal Exchange



### Nickel Export

Country	Rank	Export Weight (kg)
Indonesia	1	96,602,345
Canada	2	81,899,320
Botswana	3	44,875,750
Brazil	4	25,388,632
New Caledonia	5	19,522,830
South Africa	6	16,919,762
Finland	7	13,387,193
Zimbabwe	8	7,366,612
Germany	9	4,048,493
Ukraine	10	2,592,792
Cuba	11	2,590,946
Nigeria	12	839,852

(Source: Factfish, Germany, <http://www.factfish.com>)

### Nickel Import

Country	Rank	Export Weight (kg)
Norway	1	190,274,626
Japan	2	109,117,924
United Kingdom	3	53,687,846
Russia	4	26,806,904
China	5	23,742,994
Finland	6	22,371,538
France	7	19,050,473
Zimbabwe	8	14,941,437
Canada	9	6,146,258
Belgium	10	1,066,864
South Korea	11	325,492
Germany	12	316,429

(Source: Factfish, Germany, <http://www.factfish.com>)

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# MEX Nepal Datamine

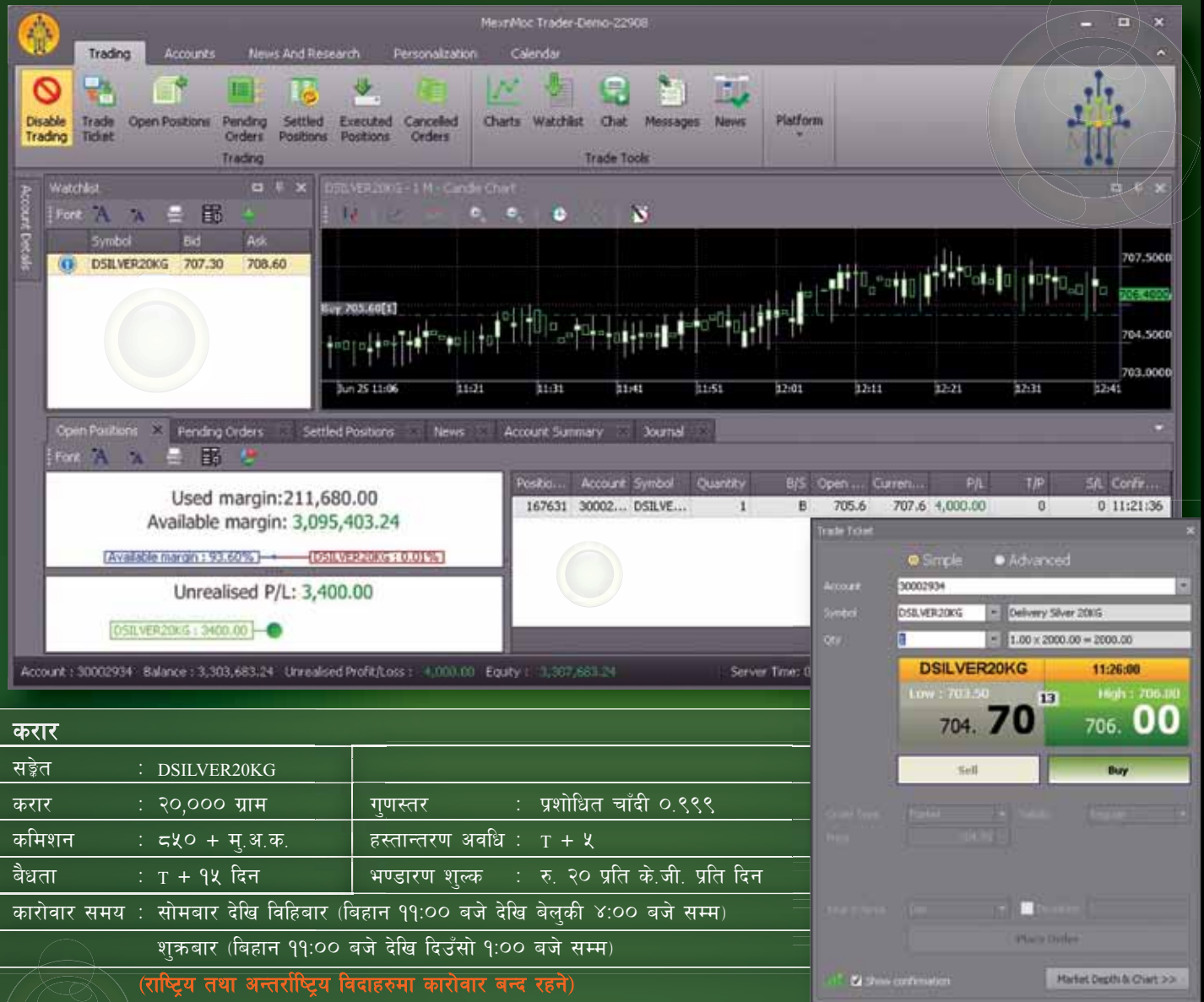
(January - June 2014 OHLC)

Commodities	Price Quoted	Open	High	Low	Close	% Change
<b>Precious Metals</b>						
Gold	NPR/10 gms	30985.00	35817.50	30827.50	34167.50	10.27
Silver	NPR/10 gms	500.10	570.50	478.60	538.60	7.70
Platinum	NPR/10 gms	35250.00	38522.50	35015.00	38100.00	8.09
Palladium	NPR/10 gms	18398.00	22235.00	17889.00	21708.00	17.99
<b>Base Metals</b>						
Copper	NPR/kg	598.60	604.00	507.20	562.30	-6.06
<b>Energy</b>						
Brent Crude	NPR/Barrel	8856.00	9427.00	8316.00	8997.00	1.59
Crude Oil	NPR/Barrel	7890.00	8614.00	7298.00	8434.00	6.89
Heating Oil	NPR/Ltr	64.75	69.92	60.13	62.70	-3.17
Natural Gas	NPR/MMBTU	341.50	519.40	316.10	357.80	4.77
<b>Agro</b>						
Cocoa	NPR/kg	216.90	252.30	210.20	250.40	15.44
Coffee	NPR/kg	195.90	386.20	194.20	307.70	57.07
Corn	NPR/kg	13.27	16.46	12.79	13.39	0.90
Cotton	NPR/kg	149.84	171.70	129.66	130.04	-13.21
Soybean	NPR/kg	38.09	45.18	37.03	41.09	7.88
Soybean Oil	NPR/kg	68.72	79.46	64.88	69.18	0.67
Sugar	NPR/kg	29.00	32.58	25.90	29.34	1.17
Wheat	NPR/kg	17.74	21.87	16.16	16.64	-6.20

(Source: Mercantile Exchange Nepal Limited)

**Note:** % Change is calculated as  $[(Close - Open) / Open] * 100$

# “पहिलो पटक चाँदीको खरिद मेक्सको सफ्टवेयरबाट”



## करार

सङ्केत	: DSILVER20KG	गुणस्तर	: प्रशोधित चाँदी ०.९९९
करार	: २०,००० ग्राम	हस्तान्तरण अवधि	: T + ५
कमिशन	: ८५० + मु.अ.क.	भण्डारण शुल्क	: रु. २० प्रति के.जी. प्रति दिन
वैधता	: T + १५ दिन		
कारोवार समय	सोमवार देखि विहवार (विहान ११:०० बजे देखि बेलुकी ४:०० बजे सम्म) शुक्रवार (विहान ११:०० बजे देखि दिउँसो १:०० बजे सम्म)		

(राष्ट्रिय तथा अन्तर्राष्ट्रिय विदाहरुमा कारोवार बन्द रहने)

## विशेषताहरु:

- चाँदीको मूल्य मेक्सको प्लेटफर्ममा सजिलै हेर्न सकिने ।
- आफूले चाहेको मूल्यमा लिमिट अर्डर राख्न सकिने ।
- विश्वसनिय गुणस्तर ।
- प्रतिस्पर्धात्मक मूल्य ।
- भ्रष्टाचार रहित अर्डर तथा हस्तान्तरण प्रकृया ।

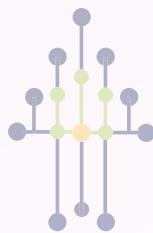
- ⦿ एक्सचेन्ज प्रकृयाबाट नेपालमै पहिलो पटक चाँदीको भौतिक हस्तान्तरण शुरु ।
- ⦿ यसका लागि सेञ्चुरी बैंकमा खाता र मेक्स नेपालमा ग्राहक दर्ता फारम भर्नु पर्नेछ ।
- ⦿ भौतिक हस्तान्तरणका लागि कुल करार रकमको १५% रकम मात्र जम्मा गरी Position लिन सकिने ।
- ⦿ स्वचालित सफ्टवेयरबाट पूर्ण विकसित रुपमा भौतिक हस्तान्तरण गर्न मिल्ने ।



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## मर्कन्टाईल एक्सचेन्ज नेपाल लिमिटेड

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