

# Nepal's 'Black Gold':

## How Can Policy Enhance Cardamom Productivity, Increase Farmer Incomes, and Generate Employment?

*A POLICY BRIEF*

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# ENHANCING THE CARDAMOM VALUE CHAIN FOR EMPLOYMENT-RICH ECONOMIC GROWTH IN NEPAL

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## Executive Summary

Large cardamom has established a distinct identity as one of Nepal's leading agricultural export commodities, contributing almost 5% to total exports and adding 0.3% to the national income. Nepal possesses substantial potential to leverage this "black gold" for employment-rich economic growth. The present policy brief reviews the existing trends in large cardamom production, productivity, and market dynamics and pinpoints opportunities as well as challenges throughout the value chain. The results have shown that the size of the area under cultivation has increased by a small margin, but there is no growth in productivity, and price changes are high given the dependency on Indian traders, variability of the climate, pests, and the demand in the global market. Policies on strengthening the production and marketing stage of the value chain need to be prioritised. Value addition and post-harvest management, better market access, and value addition are significant factors that can be used to boost the income of farmers, create employment, and help the country grow economically.

## Introduction

Large cardamom is a high-value cash crop holding significant potential for export and income generation for Nepal. With a share of around 68% in the global market, Nepal has emerged as a leading producer of the large cardamom (Khanal et al., 2024). It is the major agricultural export commodity, constituting about 5% of total exports and contributing 0.3% to AGDP (MoALD, 2024). It serves as a major source of income and livelihood for the farmers, particularly in the eastern hills, engaging approximately 60,000-70,000 families (Budhathoki, 2024). Owing to its unique flavour and medicinal properties, large cardamom has created a niche in the international market (Singh et al., 2022). Yet, the sector has not realised its full potential. Average yields remain only 0.55 MT/ha compared to a potential 1.5 MT/ha, and about 72% of production is still dried using traditional dryers (MoALD, 2024; Shrestha, 2018). Moreover, Nepal's large cardamom export remains heavily dependent on India, with nearly 90% of production channelled there, where it is processed, rebranded, and re-exported to Middle Eastern markets (Acharya et al., 2021). These inefficiencies limit quality and competitiveness, restricting Nepal to \$53 million of its estimated \$117 million export potential (ITC, 2025). Addressing these issues is crucial to harnessing the full potential of Nepal's large cardamom sector. Systematic evaluation of the large cardamom value chain is essential to understand the bottlenecks at various stages to foster the inclusive, employment-driven economic growth in Nepal.

## Research Overview

Both qualitative and quantitative methods were used to generate a clear picture of the large cardamom value chain, its production and marketing limitations, and the opportunity of employment creation in Nepal. The study was conducted in the Taplejung, Jhapa, and Ilam districts of eastern Nepal, where major actors of the value chain of large cardamom were located. Primary data was collected using key informant interviews and focus group discussions where SWOT and thematic analysis were applied, while the secondary data sourced from various national databases were analysed using regression and the cobweb model.

## Findings

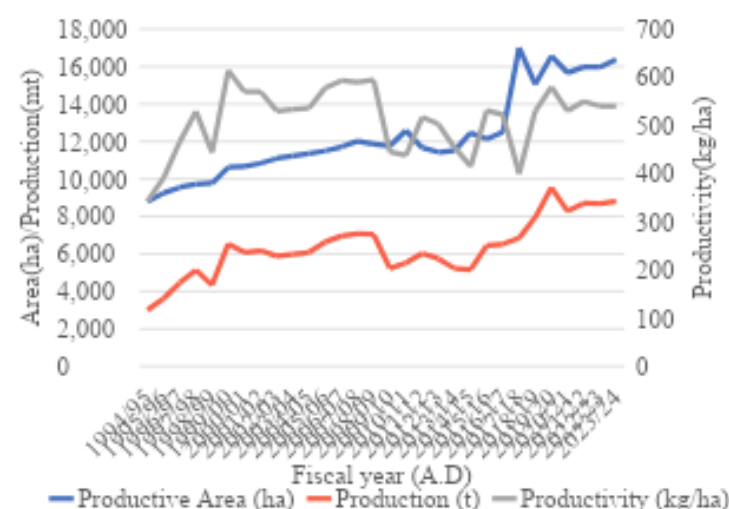


Fig 1: Trend of Area, Production and Productivity of Large Cardamom in Nepal from 1994- 2023 A.D

The cultivated land has increased gradually at 1.95 percent/year while the production has increased at 2.27 percent/year only. Nevertheless, productivity is found nearly stable with a nominal growth of 0.32% per annum. This shows that despite prioritizing the large cardamom as an export commodity there is little to almost no efficiency improvement with the lesser increase in the area.

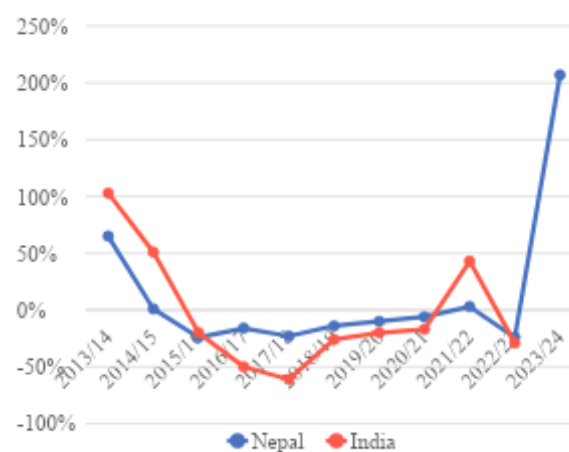


Fig 2: Year to Year Percentage Change in Price in Nepal and India

There has been a significant variation in the annual price of large cardamom in Nepal, not only due to domestic market forces but also due to external market forces. Price changes have been influenced by factors such as: Indian Market Dominance, Auction Price Benchmarking, Weather and Production Shocks, Indian Domestic Demand, Guatemalan Cardamom and Grading and Quality Standards.



## Policy Recommendations

| Policy Pillar   | Recommended Policy Actions  | Implementation Requirements   | Responsible Institutions  |
|---|---|---|---|
| <b>Pillar 1</b><br>Strengthening Production Systems       | <ul style="list-style-type: none"> <li>Scale up climate-smart irrigation systems (sprinklers, community channels) through subsidies and farmer cooperatives</li> <li>Establish farm-level pest/disease surveillance using mobile diagnostics and trained extension agents.</li> <li>Invest in long term R&amp;D on cardamom varieties, pest resistance, and postharvest drying techniques.</li> </ul> | Subsidies, extension support, digital tools, research funding, and farmer researcher collaboration. | MoALD, NARC, Local Governments, CDC, Universities, Private Extension Services |
| <b>Pillar 2:</b><br>Expanding Processing & Value Addition | <ul style="list-style-type: none"> <li>Promote the adoption of modern kilns/dryers by providing subsidies, training and cooperative owned</li> <li>Support local consumption by awareness, fairs and diversified products (tea, herbal blends, essential oils)</li> <li>Ease lab testing and certification to tap into high-end international markets.</li> </ul>                                     | Subsidy schemes, lab certification systems, quality standards enforcement.                          | MoALD, DFTQC, FNCCI, Cooperatives, Private Sector                             |

| Policy Pillar  | Recommended Policy Actions  | Implementation Requirements  | Responsible Institutions                                    |
|--|---|--|---|
| <b>Pillar 3:</b><br>Enhancing Market Access                  | <ul style="list-style-type: none"> <li>• GI certification and a distinct HS code on Nepalese cardamom</li> <li>• Register Nepal cardamom trademarks in key export markets</li> <li>• Diversify trade by having partnerships with all major export markets in the Middle East and ASEAN countries.</li> </ul>  | International registration, bilateral trade negotiations, legal and technical support.         | MoICS, TEPC, MoFA, FNCCI, IP Section, Exporters, FLCEN      |
| <b>Pillar 4:</b><br>Entrepreneurship, Employment & Inclusion | <ul style="list-style-type: none"> <li>• Provide targeted entrepreneurship support for women and youth (finance, mechanized tools, incubation, trade fair participation)</li> <li>• Promote agro-tourism in cardamom-producing regions through farm visits, homestays, and spice trails</li> <li>• Leverage digital marketing and partnerships with content creators to brand cardamom as a premium niche product.</li> </ul> | Access to credit, capacity-building programmes, tourism infrastructure, and digital platforms. | MoICS, FNCCI, local governments, Banks, MoF, Youth Networks |
| <b>Pillar 5:</b> Enabling Environment & Future Readiness     | <ul style="list-style-type: none"> <li>• Permission FDI in cardamom processing/value addition: after graduation from LDC</li> <li>• Provide youth participation programmes in quality control, digital marketing and incubation of start-ups.</li> </ul>  | Policy reforms, stakeholder platform creation, incentive packages, incubation programmes.      | MoF, MoICS, MoALD, CDC, Youth & Innovation Hubs             |