

## Canada – Nepal Export Report: Hand-held Spice Grinders

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The following paper will evaluate the potential benefits of exporting hand held spice grinders from Canada to Nepal. Through two major sections, the advantages and disadvantages will be outlined in detail. An overview of both Canada and Nepal will be given, presenting their current issues and challenges in regards to imports and exports. A thorough description of the hand-held grinder will be given, and benefits to Nepal will be analyzed. Potential market opportunities to both Canada and Nepal allow for a clear understanding of the benefits and challenges in regards to the export/import of the specific product. Alongside this, an analysis of possible competitors, both local and global will be evaluated. The transportation logistics will be broken down and used to strategically understand the methods of exporting/importing the tangible good. Finally contributing to the data, a cost analysis has been prepared, leading to a cumulative summary and list of further recommendations. The overall outcome is to provide a specific analysis of the potential Canadian export product.

### PART I

Nepal is currently seeking advancement in their existing agricultural systems. This issue can be used as an opportunity to better both the Canadian and Nepalese economies and generate more jobs.

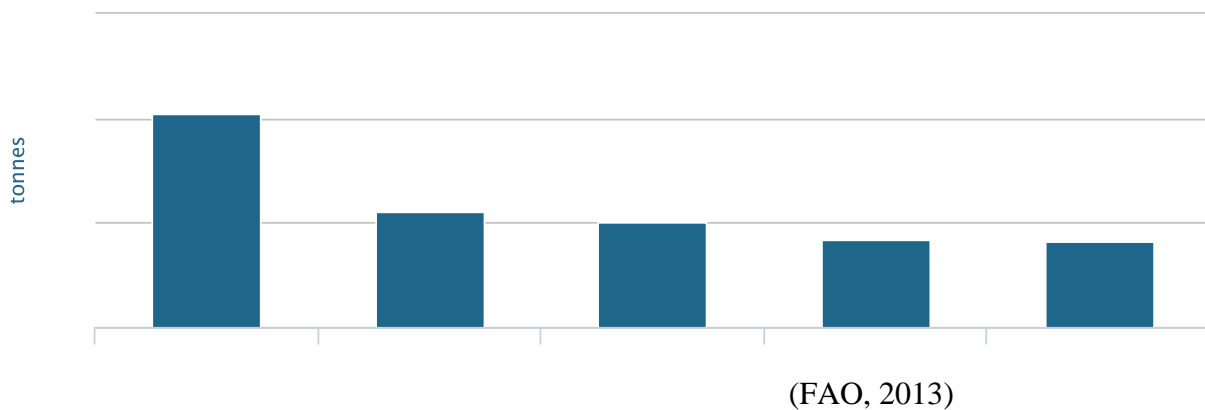
### INTRODUCTION TO NEPAL

Nepal is a landlocked country located between China and India, with a population of approximately 29,033,914 people (CIA, 2016). As Canada sits on a land base of 9,984, 670 km<sup>2</sup>,

Nepal is roughly 147, 181 sq km<sup>2</sup>, making the country 1.5% the size of Canada (Government of Nepal, 2015). These figures demonstrate population density, a major issue facing Nepal.

i). Economics of Agriculture

Agriculture is the predominant sector of Nepalese economy, providing employment opportunities to 66% of the total working population and contributing roughly 36% to the GDP. (Ministry of Agricultural Development, 2014). Approximately 80% of the Nepalese population



depends on subsistence farming, meaning farmers focus on growing just enough food to feed both themselves and their families. Figure one graphically represents the most produced commodities in Nepal.

**FIGURE 1: Nepalese Agricultural Production Quantities by Year (Average 1993 – 2014)**

According to FAO (2013), from 2005 – 2007 it was seen that 4.5 million people in Nepal were living under the condition of undernourishment. These statistics indicate that agriculture is vital for the Nepalese population, yet there is immense room for improvement.

## ii). Socio-economic challenges

There are multiple socio-economic challenges in regards to Nepal, major issues include poverty, illiteracy and labor shortages. Roughly 25.2% of the population lives below the poverty line (UNICEF, 2013). The average Nepalese person makes only \$2.00 (Canadian Dollar Value) a day (Government of Nepal, 2015) which is currently 95% less than Canadians. The general state of poverty occurring in Nepal contributes to the fact that 57.4% of the population is illiterate (UNICEF, 2013). As 89.2% of male youth and 77.5% female youth, ages 15-24 cannot simply read and write (UNICEF 2013). Illiteracy is an important issue, leading to barriers when it comes to working, trading and purchasing goods. Lastly the unemployment rate in Nepal is astonishingly high, as 78.4% of the population 15 years above do not have a steady working job (UNICEF, 2013). Impacts of these statements lead to high death rates, rising infant mortality rates and migration to find employment. Male members of the household are required to leave their homes and families in search of better opportunities. This leaves the women or eldest daughters to provide for their families, cooking, cleaning, farming, weeding and managing the household, withdrawing the opportunity for them to receive an education.

Nepal being a predominantly rural country, urbanizing is rapid. Population growth rates have increased by 7% in the past year (The World Bank, 2013). Due to the lack of effective strategic planning mixed with a demand for improved infrastructure, the sustainability of urbanization in Nepal is inadequate. These urban areas have potential for economic growth, benefiting the entire country. However, with a country that is short of basic knowledge, how can societies develop, interact and most important improve?

## INTRODUCTION TO THE PRODUCT

A technology that is produced in Canada having the potential to help the Agriculture food (Agri-food) sector in Nepal is; hand held spice grinders. This tool is handy, low-cost, easy to use and efficient. Men, women and even children can take advantage of the product to grind spices, to further sell in local markets or consume for personal use. Throughout the report, ginger will be the spice that is focused on, however various spices can be interchanged.

### i) Paderno; a Canadian Made Company

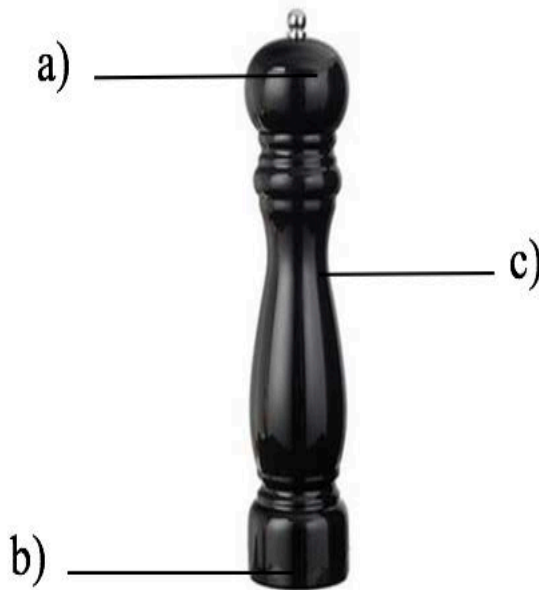
The product will be produced by Paderno, a Canadian company located in on the East coast. An intensive detailed explanation of the company is as followed,

Developed in 1979, Paderno is one of Canada's leading cookware companies. With head offices and manufacturing plants in Charlottetown, Prince Edward Island (Paderno, 2016). The company takes exceptional pride in the quality that goes into every product they sell. Paderno currently possesses roughly 175-200 employees across Canada, with 60 working at their head office (including their Distribution Centre) and roughly 125 at their manufacturing plant (Joanne Casey, 2016).

Products developed by Paderno are currently sold in Canada, featured in over 400 stores across the country such as; Hudson's Bay Company, Amazon (online sales), Best Buy, Home hardware and hundreds of independent retailers (Paderno, 2016). Sold across all 10 provinces and even the Yukon, Paderno has made quite the name for themselves (Paderno, 2016). The opportunity to ship their hand held grinders to Nepal would bring in more revenue, allowing the company to expand to new markets and further develop international trade.

## ii) Logistics Behind the Handheld Grinder

The hand-held grinder has a stainless steel interior (Figure 1, a), with heavy duty grinding mechanisms of carbon steel (Figure 1, b) finished with a ceramic exterior (Figure 1, c).

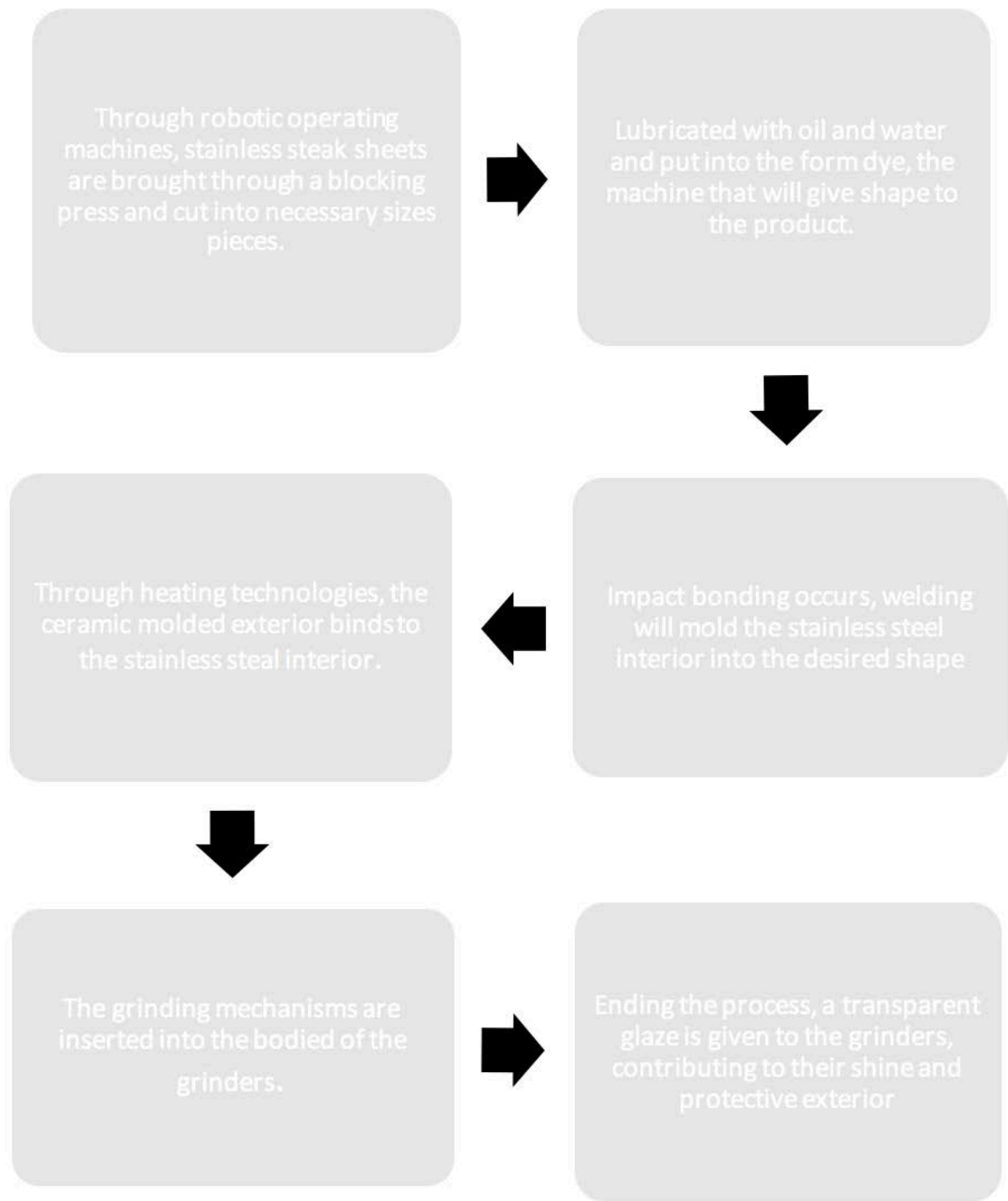


**Figure 2: Export Product – Hand-held Spice Grinder**

These aspects lead to a superior, long lasting performance, providing consumers with professional grinding abilities (Paderno, 2016). The hand-held grinder is currently sold for a low cost of \$9.99 (Canadian Dollar Value). With a manufacturer’s warranty of 25 years, this product is both reliable and durable, ensuring consumers are getting the most for their money.

## ii) Manufacturing Logistics

The grinder is processed in Paderno’s manufacturing plant in Charlottetown, Prince Edward Island, with a staff of roughly 125 team members. The staff team truly takes the time and care needed, ensuring every piece of cookware delivers durable, easy-to-use, outstanding cooking performance (Paderno, 2016)



**FIGURE 3: The process of fabricating the hand-held grinder, from raw material to finished product.**

Raw Materials, such as wood, aluminum, screws, glazes and covers are bought from Canadian companies (Joanne Casey, 2016). Paderno's tough stainless steel is imported from the United States in sheets and further processed at their manufacturing plant (Joanne Casey, 2016)

## MARKET OPPORTUNITIES

The hand-held grinder has the ability to establish market opportunities in both Canada and Nepal. Through the fabrication, production, transportation, sale and consumer use of the product – opportunities arise. The generation of jobs, development of international trade, and increased product use will positively benefit these two countries.

### i). Opportunities to Canada

Through the sales of these hand-held grinders, Canada is exposed to new and improved market opportunities. Specifically, the Canadian Company Paderno is benefitting as revenue will boost, allowing for the possibility of new job positions and expansion in to new markets. International trade will improve the company, as their name will be exposed to multiple new faces and their product will be available in additional countries worldwide.

### ii). Environmental Stability to Canada

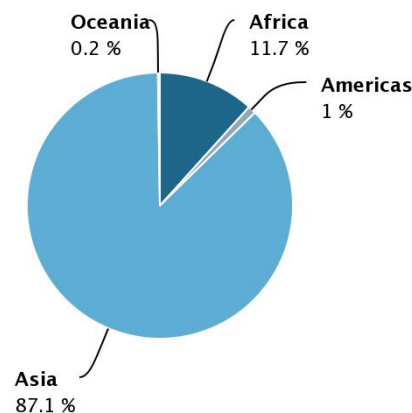
Paderno uses the majority of their raw materials from Canada (excluding steel). Through the increased sale of the hand-held grinders, these companies will also be benefitting, as their products are generating higher profits. As a result of buying locally in Canada, Paderno is simply reducing energy cost and leading to shorter transportation routes. As a whole Paderno is contributing to environmental stability, through choosing locally sources options.

## PART II

### IMPACT ON NEPAL

#### i) Ginger Farming in Nepal

Ginger farming is one of the main sources of income for farmers of the mid-hills in Nepal (Mercy Crops, 2014). Trading of ginger is commonly seen in small and large scale markets in various towns across the country. The value of ginger export has been increasing over the years



and doubled in the last decade (Mercy Crops, 2014).

(FAO, 2013)

#### **FIGURE 4: Graphical Representation of Ginger Production by Continent (Average from 1993 – 2013)**

In regards to figure 4, it can be seen that Asia is the world's largest ginger producing continent. Nepal, given its geographical location, allows for the production of 129,409 tones average annually, ranking the country within the top 15 world exporters (Mercy Crops, 2014)

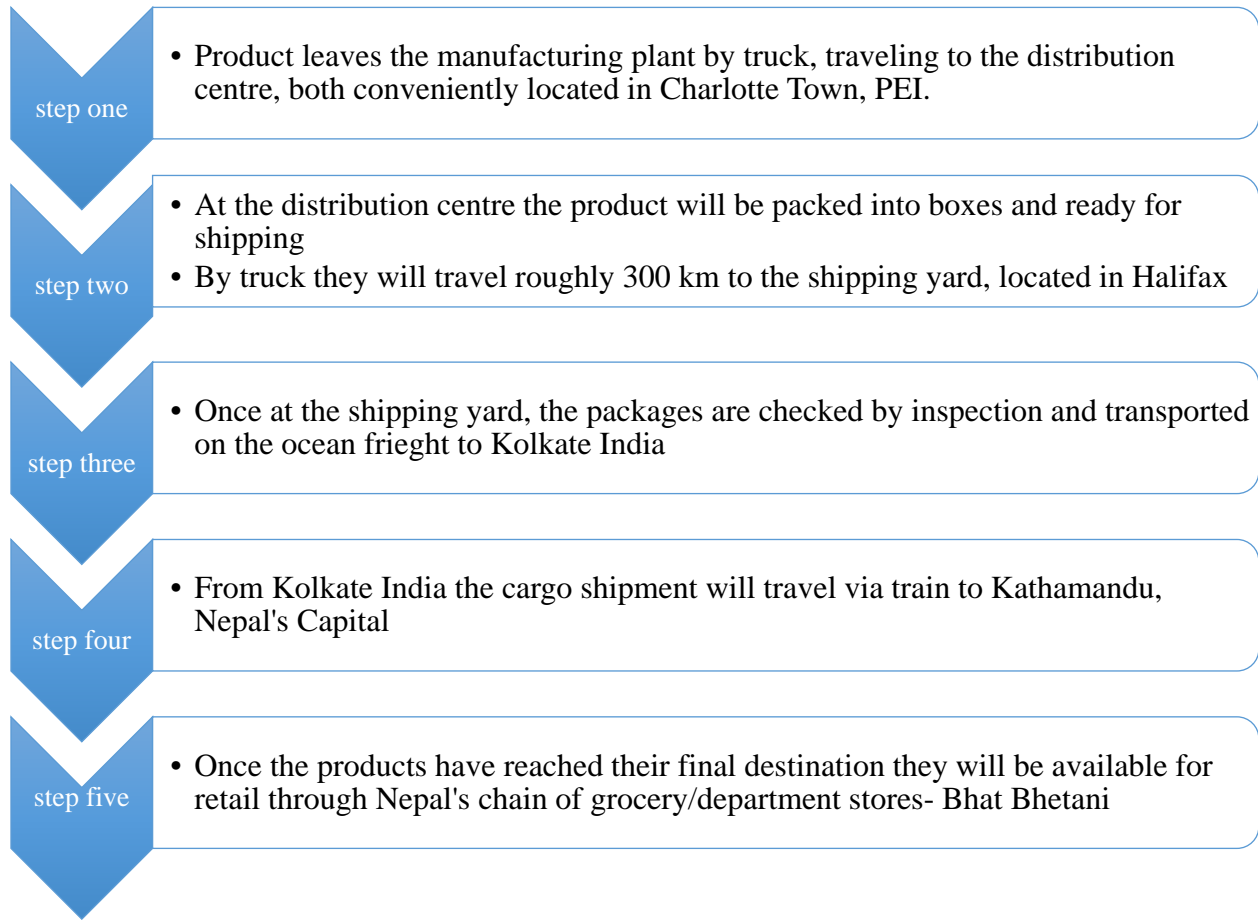
#### i) Product use in Nepal

There are various market opportunities that can arise from the sale of hand grinders in Nepal. This product is beneficial for independent sellers or for personal use in the home. Ladies working in local markets or selling goods in Nepal can take advantage of this easy to use, low



input, high output machine. machine. Men, women and children in the family can easily grind their own ginger without paying high prices to use large machines. small scale operations in a niche market Good for independent sellers or for personal use in the home Ladies working in local markets or selling goods in Nepal can take advance of this easy to use, low input high levels of output machine Can easily grind their own ginger without paying high prices to use large machines. Ladies are growing and drying their own ginger they cannot take it one step further and grind their own ginger. Men, women and children in the family can easily grind their own ginger without paying high prices to use large machines.

## TRANSPORTATION ANALYSIS charlotte



**FIGURE 5: The 5 Major Steps in Regards to Transportation of the Product**

### i) Method of Transportation

Outlined in figure 5, the major steps in regards to the transportation of the hand-held grinder are shown. There is the potential for trade barriers to arise at any given time during the process; this is an issue that needs to be taken into consideration when shipping any product internationally. Throughout the course of transportation proper documentation will need to be provided. The product is tangible, non-living and simplistic, therefore limiting the issues associated with trade barriers.

ii) Shipping Costs

The aspect of exporting/importing the good is difficult and quite costly. It is important to research available options to ensure costs are kept at a minimum. An example of costs can be seen in table 1.

Product being shipped	Cost associated with Purolator	Costs associated with Canada & Worldwide Shipping
Weight of one grinder: 1.92 lbs Size of Box: 24x24x10 Weight of Box (containing 14 grinders): 26.88 lbs	Total grinders shipped: 336 Total Cost: \$35,391.00 (Canadian)	Total grinders shipped: 336 Total Cost: \$1,022.06 (Canadian)
	<ul style="list-style-type: none"> <li>- Purolator would ship the product by plane direct from Canada to Nepal</li> <li>- 9 – day shipping from Manufacturing plant to distribution center in Nepal</li> <li>- Cost is roughly 35 times the price of Canada &amp; Worldwide Shipping</li> </ul>	<ul style="list-style-type: none"> <li>- Product would be shipped with ocean freight</li> <li>- 32-day shipping from Manufacturing plant to distribution center in Nepal</li> <li>- Cost is roughly 3% of shipping cost</li> </ul>

**TABLE 1: Basic Costs Associated with Transportation: Comparing Purolator and Canada & Worldwide Shipping**

## COST ANALYSIS

The following section will analyze the logistics in regards to the economic side of the product, realistically determining how profitable the idea of hand-held grinders will be.

i). Is this product affordable?

The average Farmer in Nepal will earn \$2 (Canadian Dollar Value) a day (SAK Nepal, 2016). As a poor country faced with extreme poverty, the population is seeking low-solutions that are affordable yet effective.



**FIGURE 6: Pricing Scheme of the Product**

The hand-held spice grinder is sold in Canada for \$9.99, however when taking in to account the shipping cost the product prices are forced to increase. Figure 7 lays out the pricing system of the product.



Taking Figure 6 into consideration when evaluating the products affordability is critical. If the product alone is costing upwards of \$13.00, this is still considered affordable for subsistence farmers, families, men and women. If there is only one working member of a household it would take them nearly a week's worth of work to pay for the good. If multiple people living within a family or home, in less than a week enough money would be collected to purchase the good. Alternative options for purchasing would be; women working within the same village purchase one to share, one member of the family could purchase and lend to parents, children, cousins etc.

On a whole, this product is affordable for the majority of the Nepalese population, allowing them the chance to grind spices for personal use or sale.

#### ii). Alternative Options for Hand Sized Grinders

There are alternative hand-grinding options available for retail that should be taken into consideration and compared to the product being analyzed. Table 2 displays 3 alternative options for sale on Amazon's Canadian website. The "Cuisinart SG-10C Spice and Nut Grinder" is an electric powered grinder, requiring the device to be plugged into an outlet. Electricity is not available in all homes across the country, therefore this product cannot be available to the entire population. The grinder costs upwards of \$60.00 (Canadian Dollar Value), meaning a single working individual would need to work for 30 days to even afford this option. These facts make it clear that the Cuisinart Grinder would not be an effective alternative choice. The second available option is more practical than the first. The "Powder Spice Grinder Hand Mill Funnel" is hand-powered, requiring no form of electricity. However, this grinder costs over \$40.00 (Canadian Dollar Value), priced higher than Paderno's hand-held grinder, by over 40%. The final option is the most comparable in regards to the the hand-held grinder sold by Paderno,

similar in price at \$16.29 (Canadian Dollar Value). This grinder has many advantageous uses and does yield very high quality ground spices. If another product on the market was to compare to the Paderno grinder, the third option “Norpro Spice Grinder” would be the most competitive.

Retail Product	Image	Description
<p>“Cuisinart SG-10C Spice and Nut Grinder” (Manufactured by Cuisinart)</p>		<ul style="list-style-type: none"> <li>- Priced at \$63.89</li> <li>- Electric</li> <li>- Heavy-duty motor and durable stainless-steel blades</li> <li>- Bowl of the device holds up to 90 grams with non-slip rubber bottom.</li> <li>- Requires wall power plug in</li> <li>- 18 month manufacturers warranty</li> </ul>
<p>“Powder Spice Grinder Hand Mill Funnel” (Manufactured by TitanOwl)</p>		<ul style="list-style-type: none"> <li>- Priced at \$42.99</li> <li>- Grinds spices and various materials into a fine powder</li> <li>- Top piece equipped with a hand mill, also used to press the spice down.</li> <li>- Middle piece includes built in metal mesh screen.</li> <li>- Manufactured by TitanOwl</li> <li>- Bottom piece is funnel shaped, and your powdered spice will funnel into a small vial which screws directly onto the bottom of the funnel.</li> <li>- Made of metal in silver color, Diameter 50mm (2") and height is 75mm (3")</li> <li>-</li> </ul>

<p>“Norpro Spice Grinder”</p> <p>(Manufactured by Norpro)</p>		<ul style="list-style-type: none"> <li>- Easily grinds fresh spices</li> <li>- Hand washable</li> <li>- Grinding mechanism consisting of serrated stainless-steel blades</li> <li>- Simple-to-use hand crank</li> </ul>
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**TABLE 2: Alternative Options for Spice Grinders**

**MARKETING STRATEGY**

When observing the marketing plan as a whole, there are aspects that need to be logistically sorted out and understood, including transportation, market price, competitive nature and location of sales. As transportation information was laid out earlier in the report, the entire process does reasonably make sense and therefore the export idea can proceed. Following in the list a market price has been developed, as the product will be sold at \$13.05 (See figure 6). As transportation and price are understood, the competitive market for the hand-held grinders must be analyzed.

i). Competitive Markets

As the hand-held spice grinder hits the markets, will the product be competing with an pre-existing commodities? The answer is yes. To this day it is evident that men, women and families have found a way to possess ground spices. Whether they purchase these in a retail store, local markets or simply grind their own. As Paderno’s hand-held grinders are introduced to the Nepalese economy, will the population turn their heads and stick to traditional ways of obtaining their spices? This is an unknown and a risk that is being taken when exporting this particular good.

Globally the hand-held grinder will also face competition. As Nepal is neighboring the top ginger producing company in the world, India (FAO, 2013) this nation exports not only ginger but various alternate spices to Nepal as well. Through the introduction of Paderno's hand-held grinder, there is high chances of potential completion both regionally and globally.

ii). Location of Sales

As Paderno's hand-held grinder reach Nepal, the retail location of the product will determine profitability and allow for the positive and negative generation of sales. A suggested location of retail for the grinders is Bhat Bhetani. With 13 stores located in Nepal, and an online shipping available the chosen store has the availability to attract a wide range of the Nepalese population. This store has the potential to further sell the good globally to neighboring countries such as China and India. Contact information for the Chief Operating Officer is as followed; Mr. Panu D. Poudel, he can be reach via email at [panupoudel@gmail.com](mailto:panupoudel@gmail.com).

Contact information in regards to Paderno can be seen as followed; Jim Casey (CEO) , Tim Casey (President). Located at 489 Brackley Point Road, Winsloe, PEI C1E 1Z. The two can be reached by telephone at 902-629-1500, and other inquiries at [Paderno@padinox.ca](mailto:Paderno@padinox.ca)



## Resources

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