POLICY BRIEF

Linking trade with food and nutrition security in Nepal

Nepal's food and nutrition paradox

Nepal presents one of the most striking contradictions in South Asian development. Agriculture employs 57 percent of the workforce and contributes 22 percent of GDP, yet the country imports food equivalent to 5.7 percent of its economy each year. Chronic undernourishment has been reduced from 17 percent in 2004-06 to 5.3 percent today, a result that places Nepal ahead of the global average. Yet moderate or severe food insecurity has simultaneously worsened, rising from 29.5 percent in 2014-16 to 36.6 percent in 2021-23. This shows that progress has been real as Nepal has moved people out of chronic starvation but incomplete since the country is failing to ensure that households can reliably afford a nutritious diet.

Table 1 Key facts at a glance

37%	of Nepali people are moderately or severely food insecure - up from 29.5% in 2014-16 despite broad poverty reduction
NPR 300bn	average annual food import bill in 2020/21 – 2024/25: equivalent to 5.9% of GDP
26%	of children under five are stunted; 43% of children aged 6-59 months are anaemic
~3%	of the national budget allocated to agriculture, despite the sector contributing 22% of GDP and employing 57% of workers
14%	cereal import dependence - with a 1.7 million tonne cereal import requirement forecast for 2025/26
Source: State of Food and Nutrition Security in the World Report 2025, FAO; Trade Statistics 2024/25, Department of Customs, GoN; Annual budget announcements of the GoN; Nepal Demographic and Health Survey 2022, Ministry of Health and Population, GoN; FAO Country Brief Nepal 2026.	

Trade as a food security instrument

Nepal's food system cannot be understood without understanding its trade architecture. The country relies on imports for a structurally significant share of daily dietary needs, particularly rice, wheat, lentils, cooking oil and vegetables. The recorded food import bill reached NPR 364 billion in 2025, representing approximately 18 percent of total merchandise imports.

The nature of what Nepal imports matters as much as the volume. Even if we remove the inputs for refined oil (which is mostly exported to India after processing), among the top 20 commodities imported at the HS6 level, staple cereals account for 53.1 percent of the basket, followed by oilseeds and fats at 13 percent and pulses and legumes at 12.1 percent. However, soft drink concentrates rank fourth overall, ahead of apples, potatoes, wheat and all pulses combined, accounting for NPR 2.5 billion annually. Together with sugar imports of NPR 1.3 billion, processed and sugar-dense imports represent 9.6 percent of the food import basket directly feeding the dietary deterioration documented in the NDHS 2022, which found that 69 percent of children aged 6-23 months consume unhealthy foods and 43 percent regularly consume sweet beverages.

Trade reduces as well as amplifies vulnerability. Nepal's open border with India helps rein in staple price increases. It mitigates the impact of India’s export restrictions on the availability of food grains in

Nepal. At the same time, it translates into a large volume of undocumented informal trade in agricultural products and inputs, whose extent is difficult to assess, affecting production decisions and weakening the effectiveness of policy measures on domestic production and quality control. With approximately 32 percent of cultivated land now fallow and agriculture receiving only 3 percent of the national budget, imports have become a pressure valve that perpetuates rather than resolves the underlying production deficit.

Tariff incoherence

Nepal's tariff structure has not been designed with food and nutrition security as an explicit objective, and the consequences are visible in the data. Average import tariffs on sweets and confectionery stand at 40 percent, while tariffs on prepared food products average 39.8 percent. These are the two highest-taxed categories. Yet eggs and milk products carry an average tariff of 28.6 percent, fruits and nuts 22.0 percent, and pulses and lentils 19.2 percent, meaning that some of the most nutritionally dense food categories face moderate to high barriers while processed foods face the highest. For food and nutrition security, this has real consequences. Nepal Living Standards Survey 2022/23 data show that the poorest quintile derives 73 percent of its calories from grains and spends only 3.8 percent of its food budget on fruits and nuts. This is not simply a reflection of food preferences—it reflects the price signals embedded in the market, which are partly shaped by tariff design.

This pattern reflects decades of tariff-setting driven by revenue and domestic industry protection objectives, not dietary outcomes. The result is a market price signal that makes nutritious food relatively more expensive for the consumer and creates no incentive to substitute nutritious imports for calorie-dense ones. For households spending up to 67 percent of income on food, a tariff premium on pulses or vegetables relative to processed staples directly shapes meal composition.

Table 2 Tariff structure by food group

Food Group	Avg. Tariff (%)	Nutritional Value
Sweets and confectionery	40.0%	Poor
Prepared food products	39.8%	Mixed
Fruits and nuts	22.0%	High
Pulses and lentils	19.2%	High
Vegetables	19.5%	High
Grains and cereals	17.3%	Medium
Meats and fish	17.5%	High
Eggs and milk products	28.6%	High

Note: Average tariffs include customs duty, agricultural development fee (ADF), agricultural infrastructure tax (AIT), and excise where applicable. Source: Integrated Customs Tariff 2025/26, Department of Customs,

Connecting trade policy to nutrition outcomes

Nepal Living Standards Survey 2022/23 data show a clear divergence in dietary patterns between poor and non-poor households: lower-income households allocate a disproportionate share of food budget to basic caloric staples, adopt a calories-first approach, and consume significantly less fruits, vegetables, meat, and dairy. Non-poor households show a relatively more diverse spending pattern. This divergence is not simply an income story. It is also a price story: when the price of nutritious foods is elevated by tariff premiums or import restrictions, the gap between what poor and non-poor households can afford widens independently of income changes.

Cereal production and import data further illustrate the structural decoupling between domestic production gains and import dependency. Nepal's cereal production rose modestly from 5.61 million metric tonnes in 2018/19 to 5.72 million MT in 2023/24, with yield improving from 3.76 to 3.98 MT per hectare. Yet recorded cereal imports under HS Chapter 10 fluctuated between NPR 45.8 billion and NPR 79.6 billion over the same period. Production gains have not translated into import substitution because the structural constraints, including fallow land, inadequate post-harvest storage, limited irrigation and limited investment in agriculture remain unaddressed.

Policy architecture

Nepal has a broad policy and legal architecture for food and nutrition security. The Constitution (2015) guarantees the right to food as a fundamental right, operationalized through the Right to Food and Food Sovereignty Act (2018), which mandates subsidized food distribution, price stabilization and support prices for farmers. The National Nutrition Policy and Strategy (2004) and the three iterations of the Multi-Sector Nutrition Plan—MSNP I (2013-2017), MSNP II (2018-2022), and MSNP III (2023-2030)—represent the government's flagship multi-sectoral response to malnutrition, bringing together health, agriculture, education, WASH, and social protection under a single coordination framework anchored at the National Planning Commission. Complementing these are the National Food Safety Policy (2019), the Zero Hunger Challenge National Action Plan (2016-2025), the Agricultural Development Strategy (2015-2035), the Zero Hunger Action Plan, and a set of delivery programmes including the national mid-day meal scheme, iron-folic acid supplementation for adolescent girls, the Balvita micronutrient powder programme, among others. These plans take into consideration different government ministries and bodies required to implement food and nutrition security across production health, and social protection dimensions.

However, the fundamental problem is that almost none of these policies connect to trade policy in any meaningful way. All three phases of MSNP treats malnutrition primarily as a clinical and behavioural challenge that could be addressed through supplementation, fortification, infant feeding practices and nutrition awareness. It does not engage with the import basket, tariff design or the fact that cheap calorie-dense imports are actively reshaping what households eat. The Right to Food Act gestures toward a preference for domestic over imported food but provides no tariff guidance or mechanism to act on that preference. The ADS is the most structurally integrated framework as it mainstreams nutrition through extension, targets dairy-vegetable-pulse value chains, and mandates coordination bodies, but its trade and competitiveness provisions focus on boosting agricultural exports rather than explicitly managing import composition for nutritional outcomes. The trade-side policies—Trade Policy 2015, the National Action Plan on Reduction of Trade Deficit (2022), and the Trade Logistics Policy (2022)—approach food largely as an economic and competitiveness issue. They acknowledge that staples and vegetables are being imported despite domestic production potential, and they propose storage infrastructure, floor prices, and post-harvest investment without any formal nutrition mandate. The result is a policy landscape where the nutrition plans do not touch trade, and the trade plans do not touch nutrition and no cross-ministry mechanism exists to make them talk to each other.

Policy recommendations

Based on the analysis above, this brief advances four priority areas for integrated trade, fiscal, and nutrition policy reform. These recommendations are designed to be implemented within Nepal's existing constitutional and institutional framework, with phased sequencing that recognizes fiscal constraints.

Strengthen domestic food production and agricultural investment

- Raise agriculture's share of the national budget progressively toward 10%, beginning with a concrete commitment in the next Annual Budget to reach at least 5% within three fiscal years. The current 3% allocation is indefensible for a sector employing 57% of workers.

- Expand year-round irrigation coverage from 28% toward 50% of farmland within the ADS timeframe. Prioritize solar and gravity-fed micro-irrigation systems suited to hill and mountain terrain, where food insecurity is most severe.
- Invest in post-harvest storage infrastructure: modern grain silos, cold chain facilities, and regional buffer stocks for rice, wheat, and pulses. Post-harvest losses are currently a major driver of effective food deficit and import need.
- Design active incentives to return fallow land (currently approximately 32% of cultivated area) to productive use. Returning migrants represent an untapped agricultural labour force; link re-entry support programmes with land access and input subsidies.
- Promote nutrition-sensitive agriculture by providing targeted incentives for pulses, vegetables, fruits, and small livestock alongside staple cereals—converting subsistence monoculture toward diversified production systems.

Reform trade policy with a nutrition lens

- Introduce formal nutrition impact assessment as a mandatory step in tariff-setting decisions. The Finance Act and annual revenue measures should require a dietary outcome review before adjusting duties on food commodities.
- Implement nutrition-based tariff differentiation: progressively lower duties on high-nutrition density imports (pulses, eggs, diverse vegetables, dairy) and introduce higher effective rates or dedicated levies on heavily processed, sugar-dense products.
- Diversify import sources beyond India for cereal staples. Bilateral concentration in rice and lentil supply creates acute vulnerability to Indian export restriction decisions. Develop stable import arrangements with multiple regional and international partners.
- Establish a national food import monitoring system tracking essential commodity volumes, prices, and supply chain disruption risk in real time—with pre-defined trigger mechanisms for buffer stock releases and emergency tariff relief.
- Reinvest a defined portion of food import tariff and VAT revenue into agricultural productivity and nutrition programmes, creating a fiscal loop between the import-dependent food system and the domestic production reforms needed to reduce that dependency.

Strengthen nutrition-sensitive programmes

- Expand school meal programmes significantly and link procurement directly to local agricultural production. School meals simultaneously improve child nutrition, create stable demand for local smallholder produce, and build dietary diversity habits from early childhood.
- Promote dietary diversity at the policy level through shifting extension messaging, subsidy design, and institutional procurement toward pulses, eggs and diverse vegetables. The existing bias toward cereal production targets should be explicitly rebalanced.
- Integrate nutrition education into agricultural extension services at all levels. Farmers and rural households should receive guidance not only on how to grow more but on what to grow in order to meet household dietary requirements.
- Scale up targeted nutrition support for pregnant women, young children, and households in provinces where poverty, geographic isolation, and weak market access combine to produce the most severe food and nutrition insecurity.

- Reduce the effective cost gap between nutritious and non-nutritious foods through a combination of input cost reduction for nutrient-rich crops, transport infrastructure investment to cut spoilage, and community-level storage and processing.

Build inter-ministerial policy coherence

- Establish a formal inter-ministerial mechanism, anchored within the National Planning Commission, requiring coordination between Finance, Agriculture, Health, and Commerce and Supplies on food-related trade and fiscal decisions. This mechanism should have a defined mandate, regular meeting schedule and reporting obligations.
- Create a shared monitoring and accountability framework that tracks dietary diversity outcomes alongside agricultural production, trade, and price data. Current monitoring systems operate in institutional silos; integration is essential for evidence-based course correction.
- Align MSNP III, the Agriculture Development Strategy, Commerce Policy 2025, and the Annual Budget under a single food-nutrition-trade framework. Where these documents contain conflicting objectives or inconsistent resource allocations, a resolution process should be formalized.
- Engage local governments with clear technical guidance, coordinated resource flows, and monitoring obligations to integrate food security objectives into local development plans.
- Commission biennial policy coherence audits assessing whether trade, tariff, and agricultural decisions made during each budget cycle have moved toward or away from MSNP III and SDG 2 targets, with findings reported publicly and to Parliament.