

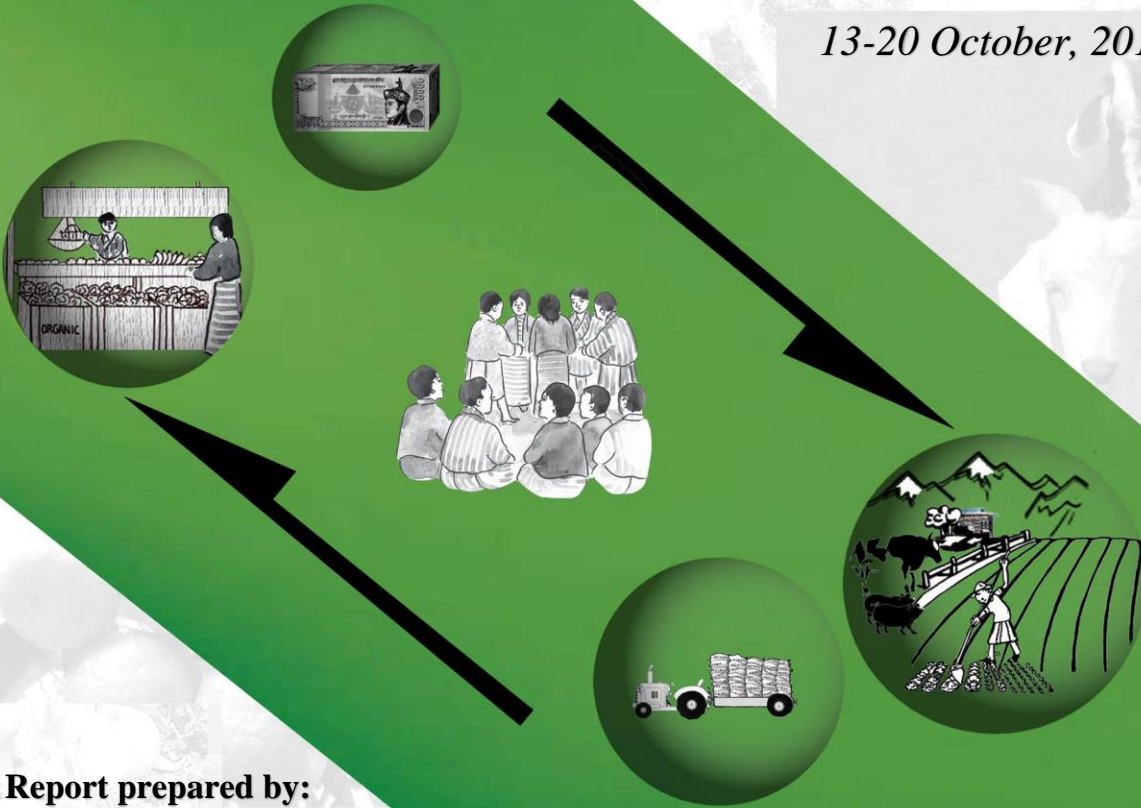


SAARC Development Fund
Regional Integration through Project Funding & Collaboration



B2B meeting with Bangladeshi and Indian importers of Bhutanese agricultural produce

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The team would like to also thank Royal Bhutan Embassy, Dhaka, Bangladesh and Royal Bhutan Consulate, Kolkata, India for all the support in terms of coordinating the meetings, site visits and even assisting in other logistical arrangements.

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Lastly, the trip would not have been possible without funding support from SAARC Development Fund, which was facilitated and made available on a timely basis by National Post Harvest Centre, DoA, Paro. We express our profound gratitude for all the efforts and support provided in realizing our ultimate objective i.e. to enhance RNR trade in the region.

The findings and the views reflected here are of the team members only and does not reflect the official views of the Ministry of Agriculture and Forests and the Food Corporation of Bhutan Ltd.

1. Introduction

Trade between Bhutan and Bangladesh started in the eighties and has increased over time. Among the many products, oranges and apples are the major agricultural exports from Bhutan. Initially, trade occurred only through Burimari dry port on the Bangladesh side but from 2011, an alternative route via Dawki, Sylhet Division was also introduced. This benefits exports from the eastern part of Bhutan. The two countries enjoy a bilateral trade agreement which provides duty exemption on some 18 identified products from Bhutan (Annexure I).

India is Bhutan's largest trading partner, because of Bhutan's contiguity with the Indian states of Assam and West Bengal and relatively good road network connecting the two countries. Nonetheless, in an era of globalization and increasing competition, it is important for Bhutan to regularly review the markets to understand how it can remain competitive so as to continue to retain or expand its market share.

It has been a concern that export of agricultural commodities, particularly oranges and apples has remained stagnant or even decreased in some years, while markets for other commodities such as cardamom and ginger have not made any major headway.

These meetings with the importers were therefore timely and the delegation (Annexure II) hoped to achieve the following objectives:

- understand the current market environment of apples and oranges and also explore potential for export of other agricultural commodities,
- understand the factors which impede the growth of agricultural trade and identify possible solutions to mitigate risks and minimize the barriers.

The meetings with importers (Annexure III), coordinated by the Royal Bhutanese Embassy, Dhaka and Royal Bhutanese Consulate, Kolkata, West Bengal, India were held at various locations in Bangladesh and India from 14th- 20th October 2017.

2. Meeting with importers at Bogra, Rajshani Division, Bangladesh

~ Apples

Apple is one of the major cash crops for farmers in Bhutan. Though there is established market for apple, the volume of export has been decreasing. In 2016, around 1,164.20 MT of apples was exported to Bangladesh. Export in India is confined to only lower segments of markets, where low price determines sale more than quality.

Main points from the meeting

- The volume of import of apples to Bangladesh from Bhutan has been decreasing mainly because of the poor quality and the availability of superior alternatives from countries like China, India, New Zealand and South Africa, at competitive price coupled. In the early days,

apples were not imported from these countries in large quantities and Bhutanese apples had a good market share and reputation.

- According to the importers, the quality of apples from Bhutan has not improved despite feedbacks. The harvesting and post-harvest care and packaging is seemingly inferior to those adopted by competitors.
- The use of crude wooden boxes for Bhutanese apples is not recommended by the importers, and they prefer to receive in proper fibre-board boxes.
- The import of Bhutanese apples has benefits in terms of duty exemption, since it is included in the list of 18 items for duty exemption by Government of Bangladesh.
- Further, Bhutanese apples do enjoy some seasonal advantage, when supply of freshly harvested apples from other countries are low, though cold stored apples are now available throughout the year.
- A vast majority of Bhutanese apple owners do not invest adequately to produce good quality fruits. At the same time, the suppliers and exporters have little interest in the long –term sustainability of the apple industry. Most do not own orchards but buy from farmers and are involved in cost-cutting measures to keep overhead costs low; some of which are detrimental to the harvested fruits and to the orchard trees in the long run.
- Despite introducing voluntary quality standards ages ago, almost no exporter practices grading based on quality standards. Their interest to get as many apples as cheaply as possible to the markets.

~ Orange

Orange is a major commodity exported to Bangladesh and India. In 2016, 23,482.95 MT of oranges was exported at the average price of US\$ 15 per box to Bangladesh. Orange export to India is also concentrated in only few places (neighboring places of West Bengal and Assam).

Main points from the meeting

- It was reported that during the import season, the importers ‘representatives are harassed by exporters when they try and sort their produce and fruits are rejected because of poor quality.
- Importers allege that the mutually agreed packaging method for oranges is not followed by exporters. The exporters use wooden boxes of smaller dimensions which decreases the net weight per box.
- Change in the timing for export inspection by BAFRA officers from 2014 is said to have affected export. Sometimes, exporters wait till morning for loads to be dispatched.
- Again, the importers opine that the quality of oranges from Bhutan has deteriorated in terms of quality over the years.

~ Spices

Spices have a large market in Bangladesh but they have preferences for certain varieties with typical characteristics and price needs to be competitive as there are supplies from other countries like Indonesia, Myanmar and China. Though the volume traded is not high, Bhutanese spices especially the cardamom and ginger have seen some increase in recent times.

Main points from the meeting

- Importers have expressed that Bhutanese cardamoms has high moisture content and excessive foreign materials and suggested remedial measures. The optimal moisture content, according to them is 10-12 per cent. Some importers shared past experiences wherein Bhutanese exporters resorted to unethical practices such as wetting cardamom for weight gain and using tea leaves to make the produce color attractive.
- It would be difficult for Bhutan to compete with other countries producing ginger. Their quality is superior and the price are comparatively low. There is however some potential of marketing fresh ginger to Bogra District, Bangladesh.
- Since good quality turmeric is available from other countries, Bhutanese turmeric might find it difficult to compete in terms of volume, quality and price.

3. Meeting with importers at Badamtoli, Dhaka, Bangladesh

Badamtoli market is the largest wholesale market for fruits in Bangladesh. A large variety of fruits comes from all over the country and from outside. The fruits are distributed to different local markets in Dhaka and its surrounding areas through auction by the wholesalers. There are few importers who have established link with the exporters of Bhutan and trade has been taking place since long time.

Main points from the meeting with the President and members of Traders Association at Badamtoli (Nodidhara Bohoumokhi Somobai Somiti)

~ Apple

- The import of apples from other countries (China, India, etc.) has increased considerably and this has put negative pressure on the market price.
- They suggested Bhutanese exporters do business only with reputable importers. According to them, many fly-by-night importers may offer higher prices one time which only distorts the markets and damages the market in the long term.
- The importers suggested stringent quality control by BAFRA at source.
- They suggested using plastic crates for transportation of apples. If wooden boxes are to be used, they suggested improvement in quality and uniformity in size.
- They opine production methods and harvest and post-harvest care needs vast improvement.

~ Oranges (mandarin)

- They note that the import of oranges from Bhutan has been decreasing over the years.
- According to them, mandarin is one product that has very good potential in the future also, provided we can improve quality and increase volume.
- There has been increase in import of oranges from other countries like China and South Africa over the last few years, which is also affecting the market for Bhutanese oranges.
- The importers repeatedly mentioned that the use of wooden boxes should be replaced by plastic crates.

4. Meeting with the Proprietor, Insaf Foods Agrobases Industries Ltd., Moulvi Bazar, Dhaka, Bangladesh

The proprietor of Insaf Food Agrobases Industries Ltd. was met to explore markets for spices (Ginger and Cardamom). They have been in spice business for a long time and deal with wide variety of spices. The main markets for their products are in Dhaka metropolis and surrounding areas. They import from many different countries.

Main points from the meeting

- There opine that there will be demand for dried ginger treated (not sliced) according to their preference.
- The prices of ginger in the market ranges from Taka 200-205 per kg for dried ginger and Taka 80-90 for fresh ginger, when the company procures in bulk.
- The price of cardamom is around Taka 700 per kg at the retail market.
- They currently import ginger and cardamom from China, India, Malaysia and Indonesia.
- There will be demand for large cardamom in the markets provided the price is competitive.

5. Meeting with the Proprietor, Broker for Indian Spices, Kolkata, West Bengal, India

Mr. Motta established the “Hindustan Spices and General Agencies” in 1963 and gradually the firm became India’s leading brokers for Indian Spices. They deal mainly in turmeric, chilies, coriander, cumin-seed (*jeera*), sago, starch and mustard-seed. The meeting was to explore the market for Bhutanese turmeric and ginger.

Main points from the meeting

- Test samples of turmeric dispatched by DAMC earlier to his company was unacceptable to spice production companies.
- Likewise, sliced ginger sample was also not acceptable because of the way it was sliced. The market has preference for ginger sliced in certain ways.
- At least a kilogram of sample should be sent for laboratory testing and the price for the product is determined by the curcumin and the essential oil content. Higher the curcumin content, higher the price. Generally, the price are as follows:

~ 2%	90/kg
~ 2.5%	100/kg
~ 3%	110/kg
~ 6-7%	150/kg
- Mr. Motta agreed to sell any amount of turmeric from Bhutan, provided the quality and their standard is met.
- Further, he also agreed to sell chilli powder, cardamom and ginger from Bhutan. Currently he procures chilli powder at Nu. 130/kg and Cardamom at Nu. 500/kg to Nu. 575/kg from Shillong, India.

6. Spencer's, Kolkata, West Bengal, India

Spencer's Retail Limited, part of RP Sanjiv, Goenka Group, is a multi-format retailer providing a wide range of quality products across categories such as food, personal care, fashion, home essentials, electrical and electronics to its key consumers.

It is one of the earliest entrants into the retail sector in India and has introduced the Indian consumers to the whole new concept of organized retailing. The first ever hypermarket in India was launched in Hyderabad in 2000; and today, they operate 126 stores, including 46 hyper-stores in over 40 cities in India.

Vegetables and fruits are supplied directly by growers in rural areas and also through *mandis*. Storage facilities are established at various places to facilitate transportation from different locations. Currently, onion comes from Maharashtra and apples from Himachal Pradesh. The market for exotic vegetables is huge and there is rising demand of organic vegetables.

Main points from the discussion

- It was informed that the prices of vegetables fluctuate on daily basis, depending on demand and supply. For instance, the cost of cauliflower ranges from Rs.10 during winter to Rs. 100 in summer.
- The linkage between farmers and Spencer's is well established even without any formal agreement as such.
- There is demand for a wide range of vegetables. Vegetables like cabbage, cauliflower, asparagus, and broccoli have very good market prospect.
- In order to establish market for Bhutanese vegetables and fruits, the production map detailing type, season, source, etc., is important to understand the true market potential of Bhutanese products.
- The management consents to deal with Bhutanese produce such as Asparagus, Mushroom, other fresh vegetable and fruits at their retail outlets spread all over India provided the supply is competitive in the market. They expressed eagerness to sell any produce using the Brand Bhutan logo.

7. Prakriti Organics Farm Fresh India Pvt. Ltd., Hare Street, Kolkata, West Bengal, India

M/s Prakriti Organic Farm Fresh (India) Private Limited was founded in the year 2016; and are primarily engaged in promoting organic production of agricultural products in West Bengal. It is a certified company where they also do certification of organic products.

The company has forward and backward linkages through support for production by supplying organic fertilizer and establishing market linkages.

Main points from the meeting

- Demand for organic produce is good in Kolkata. It was informed that Bhutanese products like red rice and cottage cheese have good market potential. They informed they have already collaborated with a local Bhutanese export firm.
- They also mentioned the importance of mapping of production areas to get a clearer understanding of the production pattern. The identification of products would help to plan production and marketing.
- They stressed the importance of using bio-inputs and bio-fertilizers to enhance production. In their opinion, until there is substantial investment in these inputs and materials, the organic farming would be unrealistic.
- They see prospects of collaboration between Ministry of Agriculture and Forests, Bhutan and Prakriti Organics Farm Fresh India Pvt. Ltd. in the areas of skill development, certification and other capacity development programs.

8. Importer & Exporter of Big Cardamom and Hill Products, Siliguri, West Bengal, India

The proprietor of Importer and Exporter of Big Cardamom and Hill Products is directly linked with few exporters of cardamom from Bhutan. They have been importing from some traders of Gelephu and Samtse. Their business relation started when cardamom became an important cash crop.

Main points from the meeting

- Cardamom has become easily available in the markets mainly because of the increase in import from China. They mentioned that there has been around 35 percent increase in production and sales this year which has led to decrease in prices over the years.
- Since cardamom is not consumed on a daily basis, the price does not fluctuate as much as other produce such as vegetables. Profit margin for traders is also understood to be low.
- It was reported that the company exports/sells around 100-150 MT per month getting an average price of Rs. 600 per kg.
- The proprietor mentioned that quality is the main element for marketing. The dried cardamom is valued more and fetches higher prices.
- Markets are relatively stable for longer period of time because cardamom are durable produce.

9. Conclusion and recommendation

Though the markets in India and Bangladesh are huge and segmented, Bhutanese producers will have to brace themselves for increasing competition from other countries, even for produce such as apples, oranges and cardamom, where we have established ourselves in certain segments. The importers have identified poor quality and poor packaging as the most important reasons for poor market performance. Therefore, strategic interventions needs to be made at the earliest to ensure that we sustain the current market share and grow in the future.

Fruit farming, in particular apple, seems to be one among the many businesses of the farmer or the owner and therefore it may not be untrue to say most make minimal time and resource investment in their orchards. Further, most orchards are very small in size to be cost-efficient and owners do not see the merits in exporting the produce themselves. Furthermore, sprawling towns encroaches on productive farm land and the impact is more acutely felt in the apple industry.

There needs to be a concerted approach in reviving the apple industry. Orchard expansion where land is available, consolidation of small orchards into bigger units, or intensification of orchards using modern farming methods are some alternatives that may need further exploration and intervention by the government.

The same is true of the orange industry where pests, diseases and poor cultural practices seem to be more debilitating than in apples. Efforts in replacement of old trees with concomitant support to train trees to keep them at manageable heights looks important. Orchards are mostly on steep slopes making harvesting and post-harvest handling costly and challenging. Location of orchards in flatland and terracing of slopes for new plantation may need to be pursued vigorously.

There is room to improve harvest methods and post-harvest handling itself. The post-harvest principles of harvesting at cool periods of the day, cooling fruits immediately to optimal temperature and maintaining that temperature through storage, transit and transport to the market should be tried as much as possible. Where feasible, the government must work together with the SOEs and the private sector to make cool-chain a norm in the fruit industry.

Despite the introduction of alternative packaging materials by the government, for one reason or the other wooden boxes remain the most ubiquitous, probably because it is cheaper. Investing in more expensive packaging has to be counterbalanced by higher market prices. If they don't receive higher prices, exporters resist change. Conversely, if exporters continue to use the same wooden boxes, the chances of improving the image in the market and receiving higher prices remain low. Plastic containers though ideal for local transport may not be feasible for export markets, because of the additional costs to return the empty containers.

Though, Bhutan's inherent strength in organic farming is widely accepted, without proper investment in scientific methods and support in certification, organic farming on a fully commercial scale may be challenging. Markets that pay premium for organic produce would need certification and demand quality. All-inclusive support to potential individual farms specializing in certain crops to go organic and be certified organic, using the *Brand Bhutan* trademarks, may have impact.

Research and development to introduce and promote into new fruits and vegetables and spices and new varieties that markets demand must continue. For example, the local ginger is fibrous in nature, while market demand is for the less fibrous and more pungent varieties. Concomitantly, more focused export market trials are required to ascertain the potential of newly introduced crops and promotional activities if there are market prospects.

Bangladesh and India are huge markets for value added products too. Premium quality processed food is imported from all over the world; and unless Bhutan has medium- to large-scale food

companies using the advanced processing technologies, market penetration by small-scale food processing enterprises looks extremely challenging, unless niche products such as dried *matsutake* or *cordycep* products are available. Therefore, for more conventional products such as fruit juices, cornflakes, crisps, etc. Bhutan may need to attract more Foreign Direct Investment (FDI) in the food industry, in the absence of local investors. The consequence of getting such companies would be the creation of large-scale demand for raw materials which can be supplied by the farmers.

Specifically, the meetings identified a couple of opportunities which interested Bhutanese can take advantage of. One is the huge demand for semi-processed products such as whole dried turmeric and ginger in the nearby Indian markets, through the spice broker, provided the quality and the minimum volume per transaction can be met.

Likewise, M/s Spencer's Retail Limited (based in Kolkata) which operates 126 stores in over 40 cities in India is also interested to retail whole range of vegetables (mushroom, asparagus, broccoli, cauliflower, cabbage etc.) and fruits from Bhutan, should our producers and traders be able to supply quality produce at competitive rate.

Therefore, it can be concluded that there is no scarcity of market in the neighboring countries and free trade and duty exemption makes Bhutanese agricultural produce attractive to the importers. Therefore, the government and the private sector needs to work together to improve the quality of the produce, packaging methods and the logistics of storage and transportation so as to take advantage of the potential markets.

10. List of Annexure:

Annexure I: List of 18 products of Bhutan with 0% tariff in Bangladesh

	Heading	H.S. Code	Products
1	07.01	0701.10.10	Seed Potatoes
2	07.04	All H.S. Codes	Cabbages, cauliflowers, kohlrabi, kele, and similar edible brassicas, fresh or chilled
3	07.08	All H.S. Codes	Leguminous vegetables, shelled or unshelled, fresh or chilled
4	07.09	All H.S. Codes	Other vegetables, fresh or chilled
5	08.05	0805.10.10 0805.10.90	Oranges
6	08.08	All H.S. Codes	Apples, pears, and quinces, fresh
7	09.04	0904.21.10 0904.21.90	Dried chilly
8	09.08	0908.31.10 0908.31.90 0908.32.10 0908.32.90	Cardamoms
9	09.10	0910.11.10 0910.11.90 0910.12.10 0910.12.90	Ginger
10	25.16	2516.90 2516.10	Boulders
11	20.09	All H.S. Codes	Fruit Juice (tinned or bottled or tetra pack) except pineapple juice, grape fruit juice
12	25.16	2516.90.10	Boulder Stone
13	25.17	2517.10.90	Pebbles, gravel, broken or crushed stone
14	25.18	2518.10.00 2518.20.00 2518.30.00	Dolomite
15	25.20	2520.10.00	Gypsum
16	25.20	2520.20.00	Plaster of Paris
17	25.21	2521.00.00	Limestone
18	28.36	2836.50.00	Calcium Carbonate

Reference: Registered No. DA-1, Notification 15 Falgoon 1419/27 February 2013-03-21

Annexure II: List of members of the delegation

	Name	Designation	Organization	Email-id
1	Mr. Bhim R. Gurung	Marketing Advisor	FCBL, Phuentsholing	brgurung@moaf.gov.bt
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3	Mr. Sangay Dorji	Regional Manager	BCCI, Phuentsholing	Sdorji45@gmail.com
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5	Mr. Dorji Wangchuk	Marketing Officer	DAMC, Thimphu	dwangchuk@moaf.gov.bt
6	Mr. Tashi Tshering	Marketing Asst.	DAMC, Thimphu	tashitshering@moaf.gov.bt
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8	Mr. Sangay Jamtsho	Marketing Officer	RAMCO, Monggar	sangayjamtsho@moaf.gov.bt

Annexure III: List of Importers in Dhaka, Bangladesh and Kolkata & Siliguri, India

	Name	Address	Contac #	e-mail address
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5	Mohamod Nadin	Mahka Trading Madanpur, Badamtoli	1711839004	
6	Mohamod Sagar	Rejay Enterprise Badamtoli, Dhaka-1100	17116300	
7	Shajal	Shada Enterprise	1711132075	
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