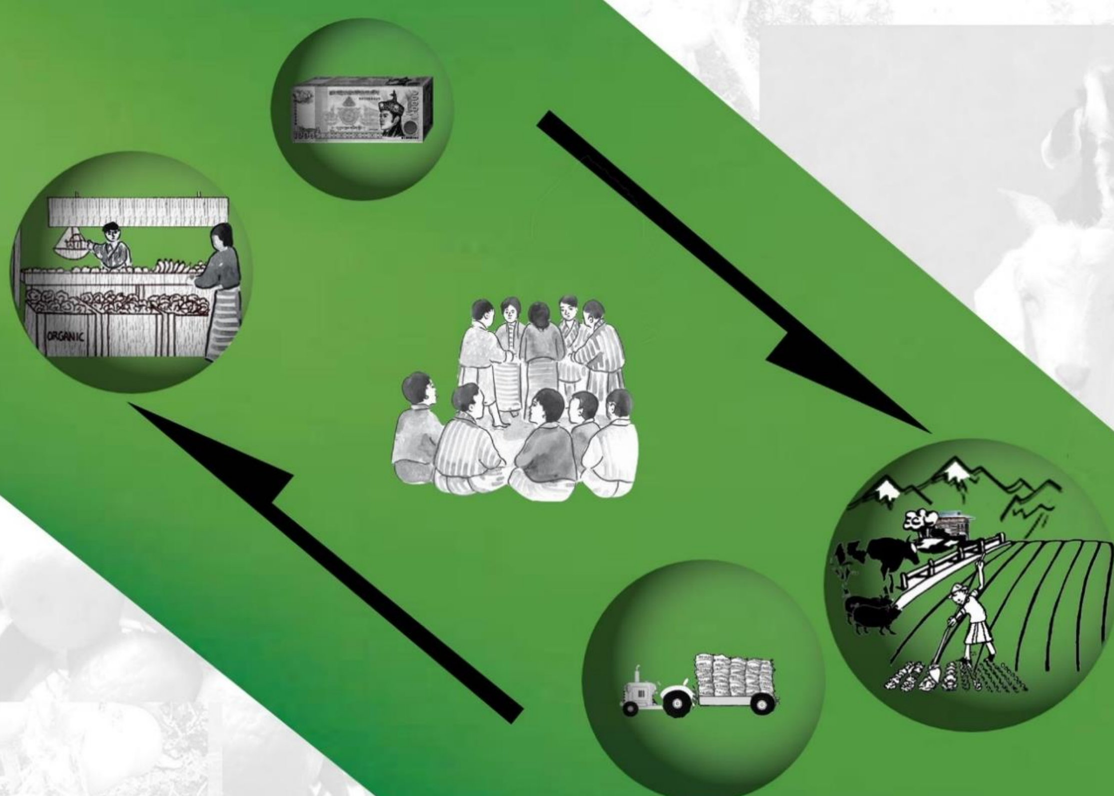
Buy-Back Performance Report

2018



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Introduction

Buy-Back of RNR produces is one of the important functions of farm shops that were established across the country, as it provides market access at times of market failures. Farmers are able to at least recoup investments made in growing crops or rearing livestock.
This scheme started in 2016 on a trial basis and has been mainstreamed since. The buy-back prices for various agricultural and livestock and dairy produce are determined consultatively with stakeholder agencies on an annual basis, and the MOAF reserves the right to change the price depending on the market environment. The Food Corporation of Bhutan Limited (FCBL) implements buy-back through its numerous farms shops.

Buy-back in 2018

The following table provides the details of transaction through buy-back scheme at different farm shops, in the year 2018.

	Location of Farm Shop	**Produce**	**Date of transaction**	**Volume purchased (Kg)**	**Amount (Nu.)**
1	Tsemong, Monggar	Maize	12th January, 2018	1,160.00	15,080.00
2	Gasetshogom, Wangdue	Maize	28th April, 2018	742.00	9496.00
3	Samdrup Jongkhar	Pigeon pea	30th May, 2018	1,914.00	38280.00
4	Samtse (Norgaygang)	Cardamom	19th Sept, 2018	17,650.35	10,052,866.3
Total				**21,466.35**	**10,115,722.3**

During the year 2018, the FCBL has procured a total quantity of 21.5 MT worth Nu. 10.11m. The FCBL sold the maize to M/s Karma Feed while the pigeon pea were sold to local traders in Phuentsholing. The FCBL has also procured the cardamom with the objective to export it to the Middle East (Dubai) after proper grading and packaging.

Recurrent Issues with the buy-back scheme

The major issue with the scheme is the inadequate funds, which limits how much FCBL can buy. Though the Ministry of Finance provides Over Draft Facility (ODF) to the FCB for such purposes, the amount is inadequate to fulfill the entire demand for buy-back. According to the FCBL, in 2018, only 10 per cent of the Nu. 100 m ODF provided by the government was used for buyback scheme, since the rest was spent providing auction services. Thus, should buyback scheme be considered as a viable agriculture marketing support system, RGOB’s financial commitment to the FCBL is critical.

Another problem with the scheme is the limited volume that is available with individual growers for buy-back and the scattered farms, making it costly for the FCBL to buy, transport and sell. Though a minimum volume has been determined at which FCBL will undertake buy-back from the farmers for each commodity, raising this minimum volume could preclude most small farmers who produce very limited quantities. Thus, a compromise has to be arrived at which FCBL can cost-effectively undertake the buy-back while including as many small farmers as possible.

Another recurrent problem is the poor quality produce growers bring. Farmers tend to believe that FCBL will buy the produce immaterial of the quality of the produce. On the other hand, the FCBL will have to resell these products, and has to be marketable. To avoid this, the buy-back scheme does include a minimum quality standard, which growers have to meet. This is again a compromise between what can be further marketed by the FCBL and inclusivity of farmers in the scheme.

However, it must be borne in mind that the buy-back scheme is only intended to provide an alternative last-ditch market at times of the market failure and is never intended to replace open markets and become a normal marketing channel.

Such pre-determined prices and assured buying back by the government would in fact have a negative impact on agriculture production as a result of farmers becoming overly dependent on such markets and failing to take advantage or exploring more profitable open markets, including export. To try to avoid this situation, buy-back prices are kept very close to the Cost of Production (CoP) and the scheme is not aggressively promoted. At the same time, markets do fluctuate a lot and market failures are common, and without some safety nets, farmers' livelihood may be affected and they may become discouraged to farm.

MDD, DAMC
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