



Commodity marketing through the auction yards

A biannual report

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1. Introduction

The Food Corporation of Bhutan Limited (FCBL) has been supporting Bhutanese farmers/ growers market their agricultural produce by providing auction services at the various auction yards. The FCBL by conducting auctions in the growers' presence impresses upon them that better quality produce fetches premium prices. They also provide credit facilities to the Indian buyers to enable them to continue buying over the season and buy in greater volumes. The auction service remains one of the core mandates of the FCBL.

The following table (Table I) illustrates the main commodities that are traded, the volume and value of auction between July 2016 and December 2016 (1st and 2nd Quarter for FY 2016-17):

Table I: Volume and value of RNR produce auctioned between July 2016 and December 2016

Sl. No.	Items	Quantity (MT)	Value (Nu.)
1	Potato	24,090.73	553.08
2	Vegetables	3,320.34	80.84
3	Citrus	609.75	11,.08
4	Spices	246.41	6.10
5	Other Fruits	126.59	2.32
6	Apple	13.77	0.38
7	Pulses	11.22	0.46
Total		28,418.81	654.26

The RNR produce turnover for the Q1 and Q2 during the FY 2016-17 was 28418.81 MT which is 0.08% increase as compared to the same period in the FY 2015-16. The total income earned by the Bhutanese growers is a little over is Nu. 654.25million.

Table II: Comparison in the volume of main commodities over the same period in 2015 and 2016

Items	Qty. in MT (Jul-Dec 2015)	Qty. in MT (Jul-Dec 2016)	% change
Potato	21968.48	24090.73	0.10
Vegetables	3520.72	3320.34	-0.06
Citrus	396.70	609.75	0.54
Spices	185.42	246.41	0.33
Other Fruits	138.56	126.59	-0.09
Apple	28.84	13.77	-0.52
Pulses	16.93	11.22	-0.34
Total	26255.66	28418.81	0.08

2. Price and volume

The average price of potato during this period had gone up by Nu. 6.41 per kilogram as compared to last year, where the average price was Nu.16.55 per kilogram. Among commodities, pulses commanded the highest average price of Nu.40.60 per kilogram.

Table III: Average price of commodities for the FY 2016-17 (Q1 & Q2)

Items	Quantity (Kg)	Value (Nu)	Average Price /Kg
Potato	24,090,732.00	553,077,751.58	22.96
Vegetables	3,320,335.00	80,840,019.50	24.35
Citrus	609,753.90	11,080,511.71	18.17
Spices	246,406.00	6,101,942.00	24.76
Other Fruits	126,594.00	2,318,285.30	18.31
Apple	13,770.00	379,440.00	27.56
Pulses	11,221.00	455,654.50	40.61

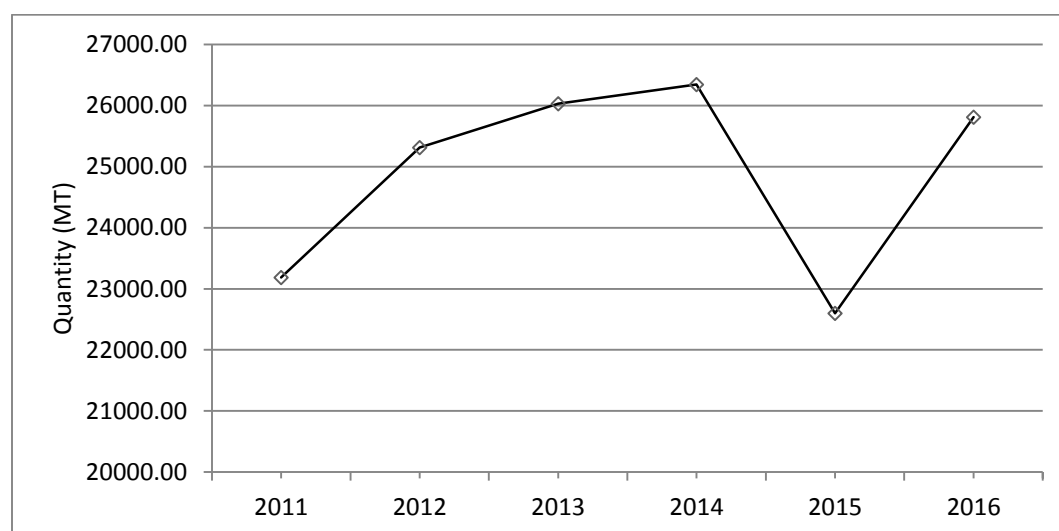
Potatoes remain by far, the largest commodity traded through the auction accounting for 85% by volume in 2016. The volume of potato auctioned during Q1 and Q2 for 2016-17 increased by 2212.25 MT as compared to the same period of the previous year.

3. Quantity, Value & Price Trend over the last five years

Potato demand and supply fluctuates widely between years, depending on the weather during the growing phase, transportation issues (roadblocks during the monsoon), availability of cold-stored potatoes from India and the general macro-economic conditions in the Indian market. For example, this year, towards the end of the potato season, when prices are usually higher, because of the demonetization of Indian 500 & 1000 Re notes, the inadequacy of cash among the buyers crashed the auction price.

However, except for a dip in 2015, the volume of potato that passed through the auction increased consistently from 2011 (Figure I).

Figure I: Volume of potato traded through auction in the last five years



Likewise, the auction yard is the important market outlet for vegetables grown in Bhutan. Though what kinds of vegetables actually contributed to the growth is difficult to identify from the available data, there is a steady increase in both the volume and value traded.

Figure II: Volume of vegetables traded through auction in the last five years

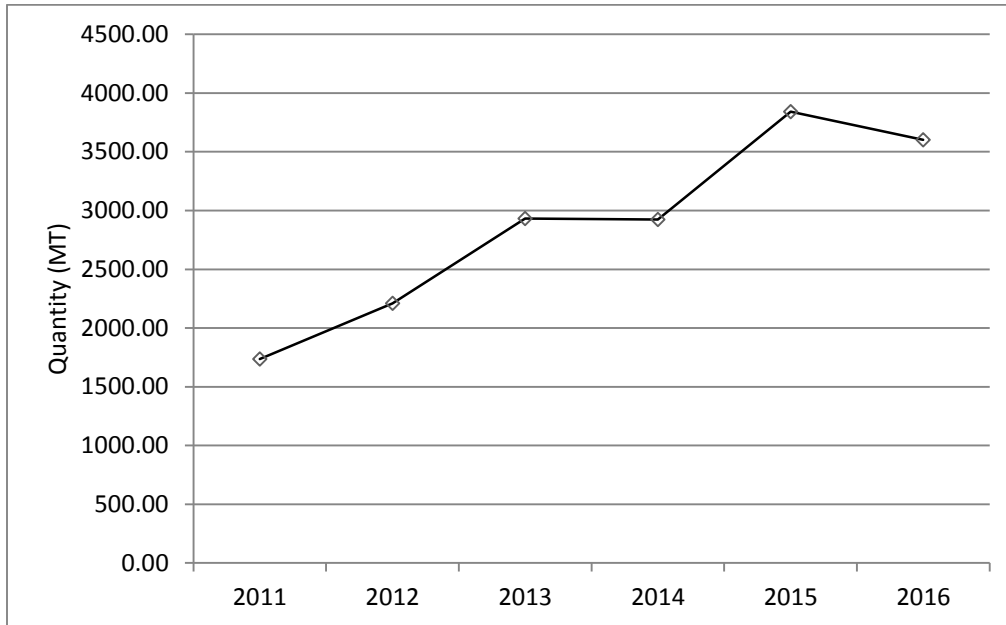
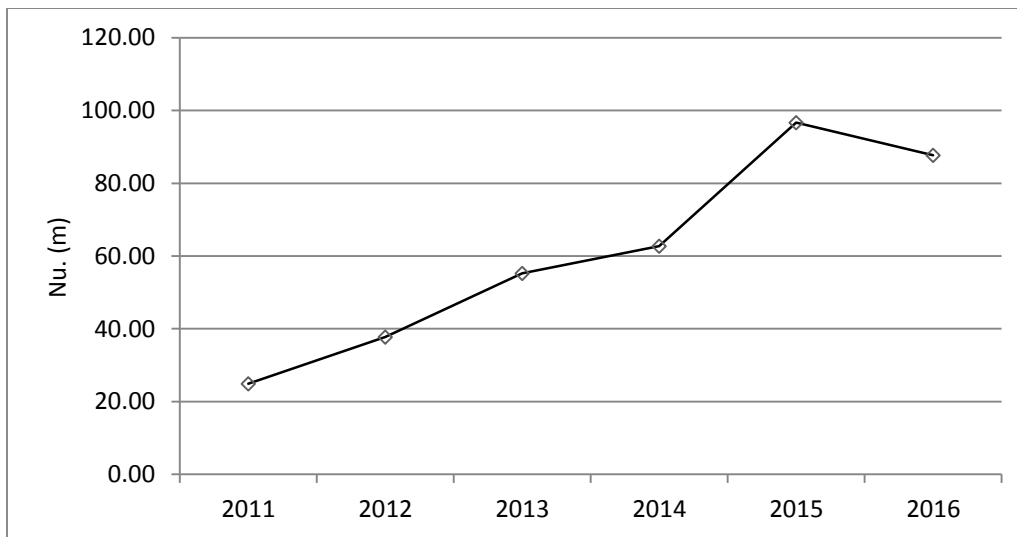


Figure III: Value of vegetables traded through auction in the last five years



The volume of spices traded has decreased steadily from 2012 to 2014, though it seems to have picked up again from 2015 onwards. The main spice that is traded is ginger which made up more than 99 per cent of spice traded in 2016, with garlic making up the rest.

In case of pulses which are mainly rajma beans, both the volume traded and the value has decreased steadily over the years. Soya bean makes up only a miniscule 1.12 per cent of the volume traded in 2016.

The range of commodities within the pulse and spice group is very limited. There is a need to determine if this is due to lack of demand for other commodities or because of agro-climatic and technical barriers to grow and market them profitably.

Figure IV: Volume of Pulses and Spices traded through auction during the last five years

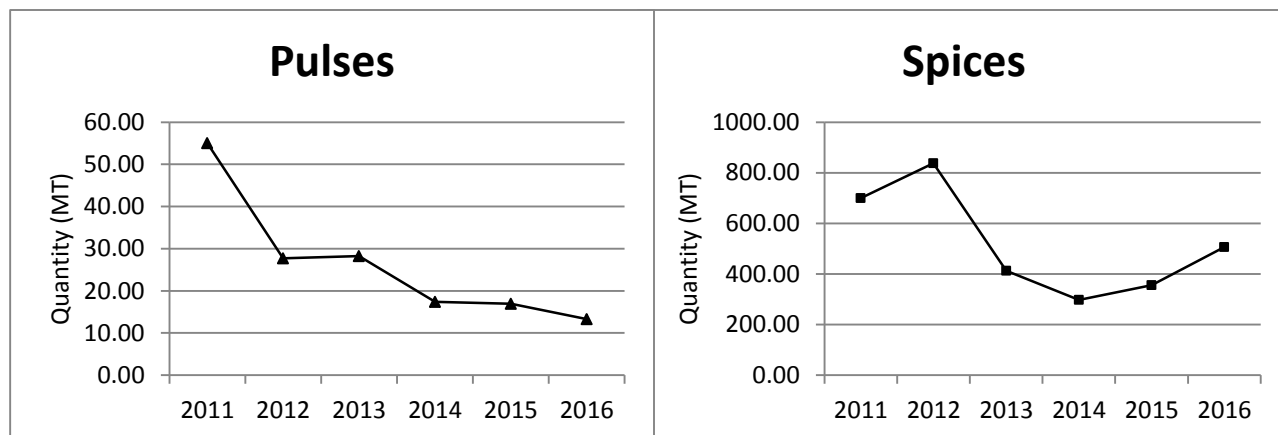
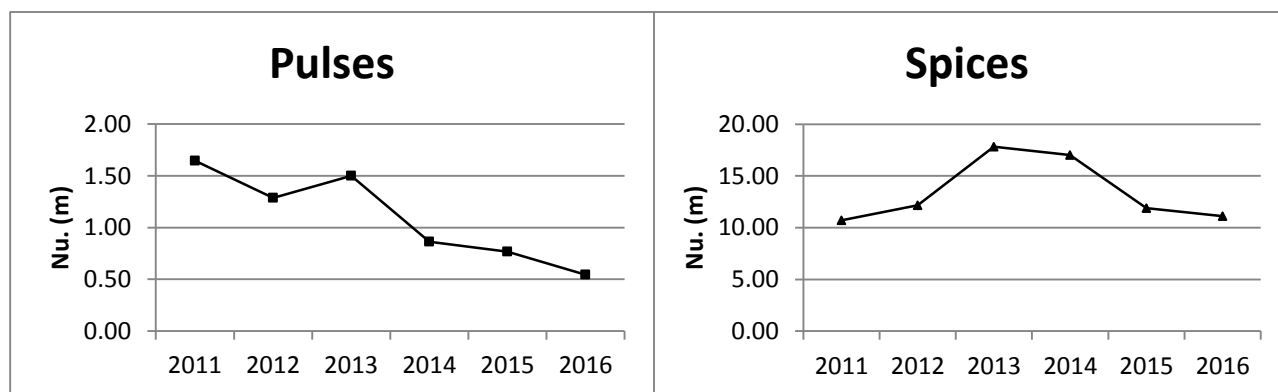


Figure V: Value of Pulses and Spices traded through auction during the last five years



As expected, the volume and value of citrus and apples traded through the auction yard fluctuates yearly. Citrus and apples are two commodities that have well-established markets in Bangladesh and parts of India and a major portion of these are directly exported. Due to better price and that too in foreign currency when exported to Bangladesh, traders prefer to export directly. In fact, the volume of these two commodities traded at the auction yard is indicative of how the export market is performing in any particular season - meaning, auction remains an alternative channel, should direct export market fails.

Figure VI: Volume of Apples and Citrus traded through auction during the last five years

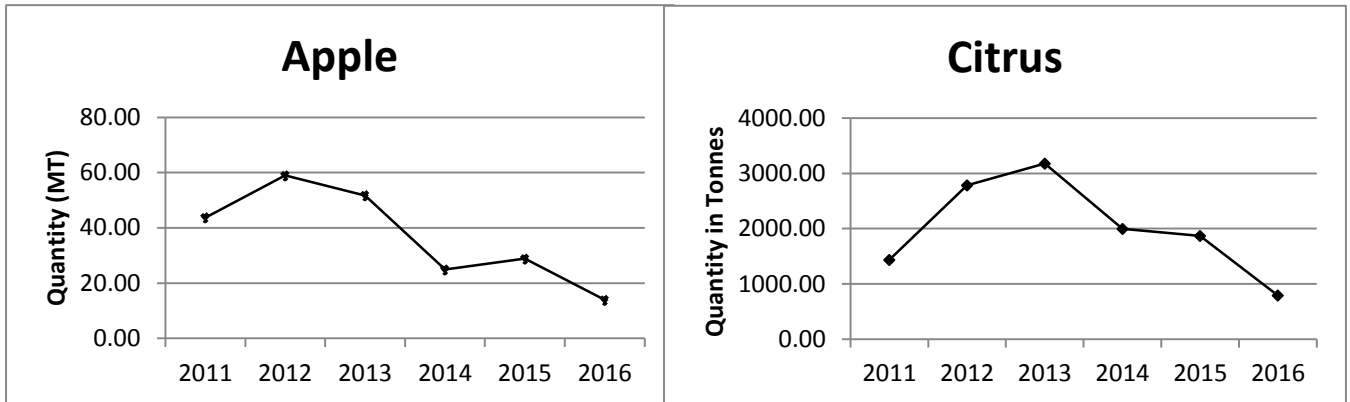
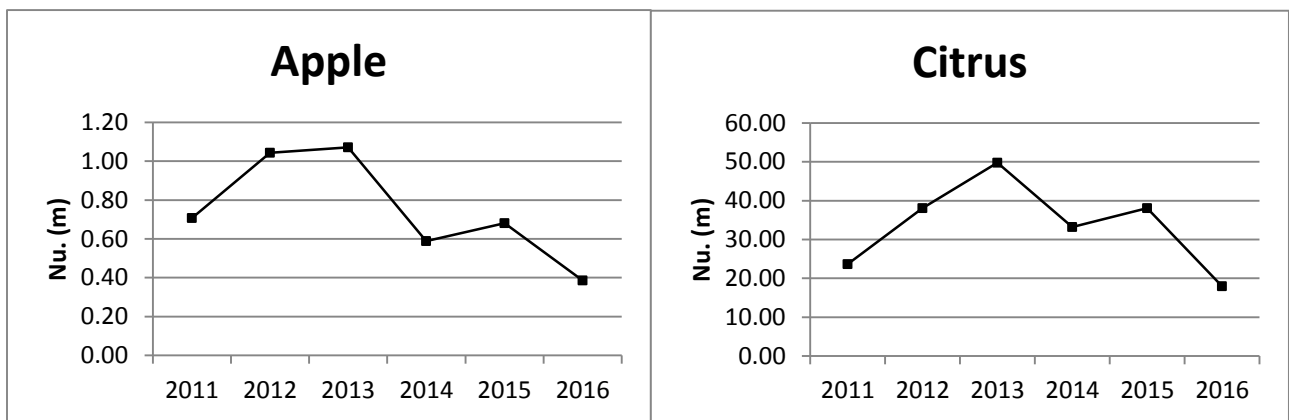
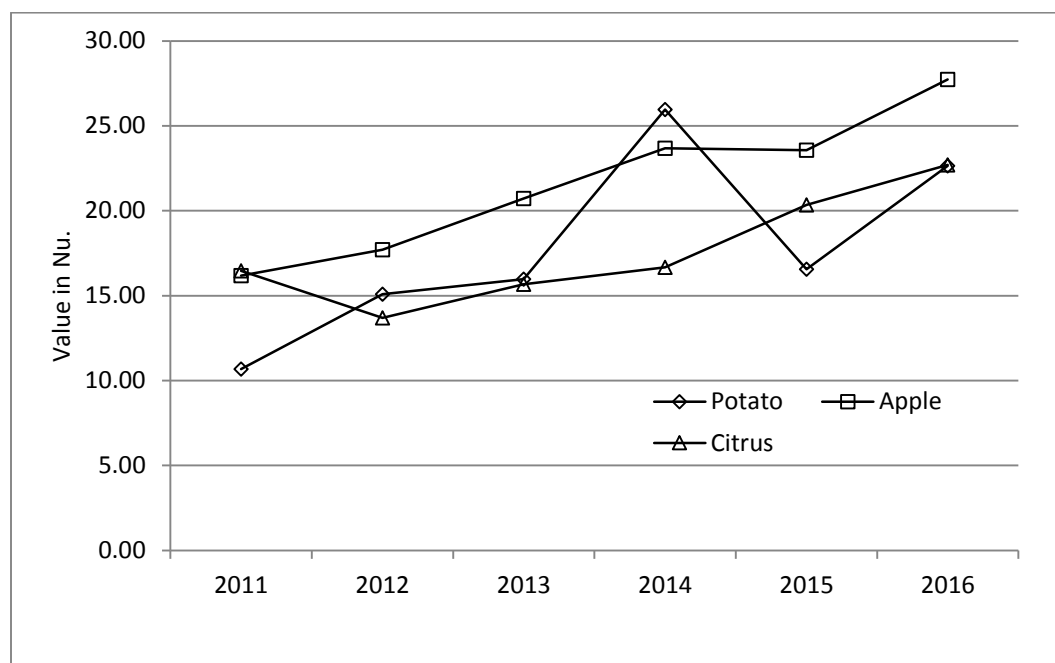


Figure VII: Value of Apples and Citrus traded through auction during the last five years



Albeit with some fluctuations, the value of potatoes, apples and citrus have all increased as expected. Though it is difficult to pinpoint the exact reason(s) for this growth, it is a positive trend indicating increase in the value of commodities over time.

Figure VIII: Average auction prices of potato, apple and citrus for the last five years



4. Conclusion

Though the total volume and value of crops traded at the auction yard has fluctuated in the last five years, there is an indication of positive growth. While much will depend on the market demand and supply in India and the production growth and quality improvement, there is room for improvement in the auction system. The FCB has already embarked on on-line auctioning system in collaboration with the Royal Securities Exchange of Bhutan and already positive results have been confirmed.

The establishment of a private agricultural produce auctioning firm starting 2015 will provide the much needed alternative choice for Bhutanese growers. This healthy competition between the FCB and the private firm will have a positive impact on the price received by the farmers, which in turn will encourage farmers to boost their production for the next season.

The auction service in Bhutan has come a long way with just a few Indian buyers participating at the auction to not only many established buyers but even an additional auction service provider – gradually transforming the market from a buyer's market to a sellers' market situation, which bodes well for the future of the Bhutanese agriculture industry.

5. Acknowledgement

The Market Information & Research Division would like to acknowledge the data provided by the FCBL for this report.