



# Market Study of Milk, Yoghurt and Gouda Cheese in Thimphu



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## **1. Introduction**

The dairy industry in Bhutan is growing rapidly, with the increase in demand particularly from urban markets, access to cheap credit and access to inputs and push from the government. Thimphu city is the largest captive market in Bhutan, with increasing expatriate population. The improvement in the roads and the transportation facility between farms and urban areas has further created an enabling environment for conveyance for milk and milk products.

The purpose of the study is to provide market demand information for milk products in Thimphu city, which is a potential market that can be exploited by dairy farmers and farmer groups in rural and peri-urban areas.

## **2. Methodology**

It is challenging to determine demand for any commodity in Bhutan because of dearth of even primary data and information. In this study, it was not possible to select representative samples (retail outlets) from the database available with the Ministry of Economic Affairs, because, all of them are registered as “Retail”, under which they can deal in as many consumable products. Furthermore, a vast majority of the small retailers do not maintain even basic records of business transactions – such as goods sold per day, turnover, stock replenishment, etc. In such cases, we had to rely on their word of mouth based on their recollection.

On the other hand, consumer demand study was not even attempted, again because of the complexity and the immensity of such a task.

Retail shops and supermarket dealing in locally produced fresh milk and Gouda cheese were identified and visited to determine their sales turnover. For imported Tetra Pak milk and

powdered milk, data was gleaned from the Bhutan Trade Statistics, while supply of the same from the two large agro-industries in Bhutan were collected from the company itself.

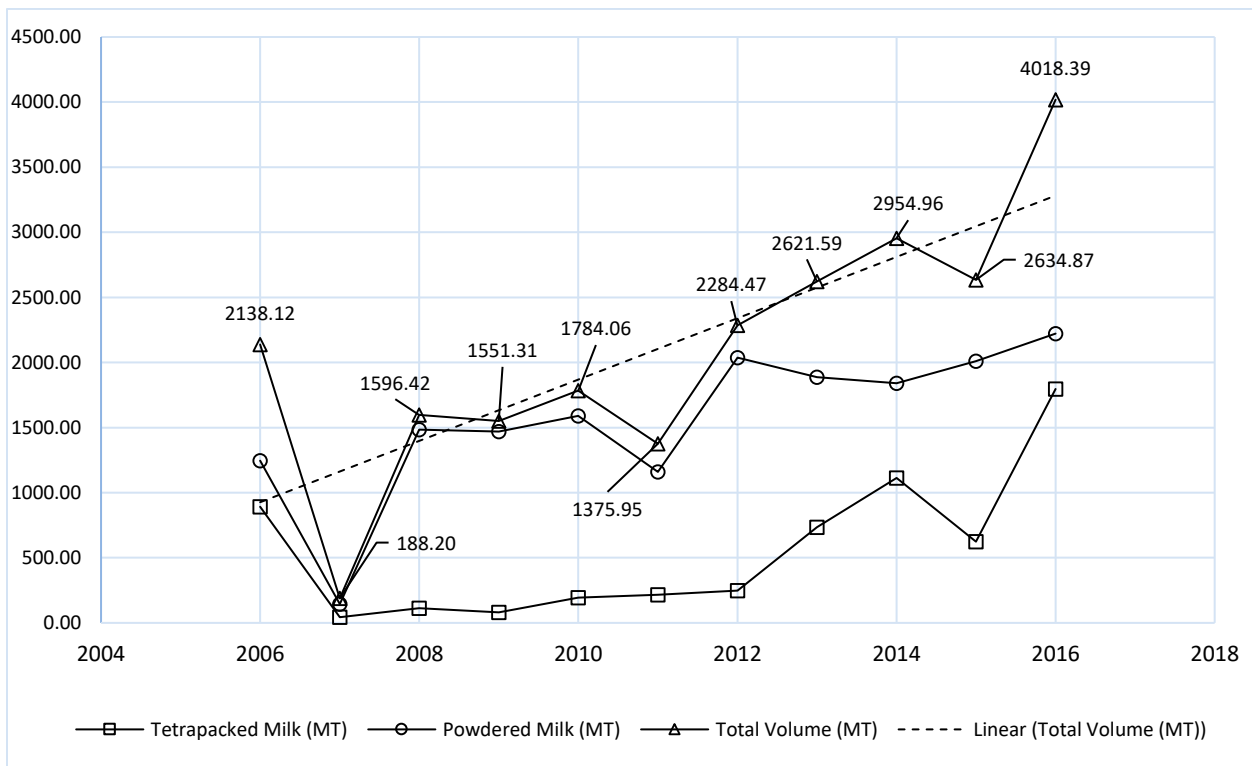
For yoghurt, the supply figure was collected from the two major local manufacturers while import data was collected from the Bhutan Trade Statistics.

### 3. Discussion and Findings

#### 3.1. Milk

India is the main source of import of dairy product (Bhutan Trade Statistics, 2016). Tetra Pak milk and powder milk are the two main dairy products imported from India and other countries (Fig. I).

Figure I: Total import of milk (Tetra Pak and powder) from India and third countries



It is indicative from Fig I. that the import of milk to Bhutan has grown steadily though there are some fluctuations year on year. Though more powder milk was imported earlier, the gap between Tetra Pak liquid milk and powder milk is closing.

In addition to the imported brands, Tetra Pak milk produced by domestic industries under the brand name of Duyul and NutriLife are also popular. In 2016, these two companies supplied close to 680,991 L of milk to Thimphu alone (pers. comm. with the company reps., 2017)

The Tetra Pak milk comes either in 1L container or in 200ml, ready to drink package. Local milk is however packed in plain unlabeled 1 L PET. Depending on the brand and the outlet, the 1 L Tetra Pak milk retails at between Nu. 60 to Nu. 65 while the local milk price ranges from Nu. 55 to 60 per bottle.

Because local milk is not UHT (ultra-high temperature) treated and packed aseptically, local milk has a very short shelf life. The perishability of fresh untreated milk is the biggest marketing challenge. Though ideally, fresh milk will have to be transported under refrigerated conditions, the milk supplied by local suppliers are filled in aluminum milk containers and transported in open vans. Once at the outlet, they are refilled in PET bottles and refrigerated immediately. Even under refrigerated conditions, the milk has to be sold at the soonest possible to avoid spoilage and loss.

While most grocery shops sell Tetra Pak milk and powder milk, there are only about 9 outlets selling fresh milk sourced from local dairy farmers and co-operatives. Because of the limited number of outlets and their inability to supply at all times, most consumers find it more convenient to use Tetra Pak milk. Approximately, 2600 L of milk are sold weekly from these outlets (pers. comm., 2017).

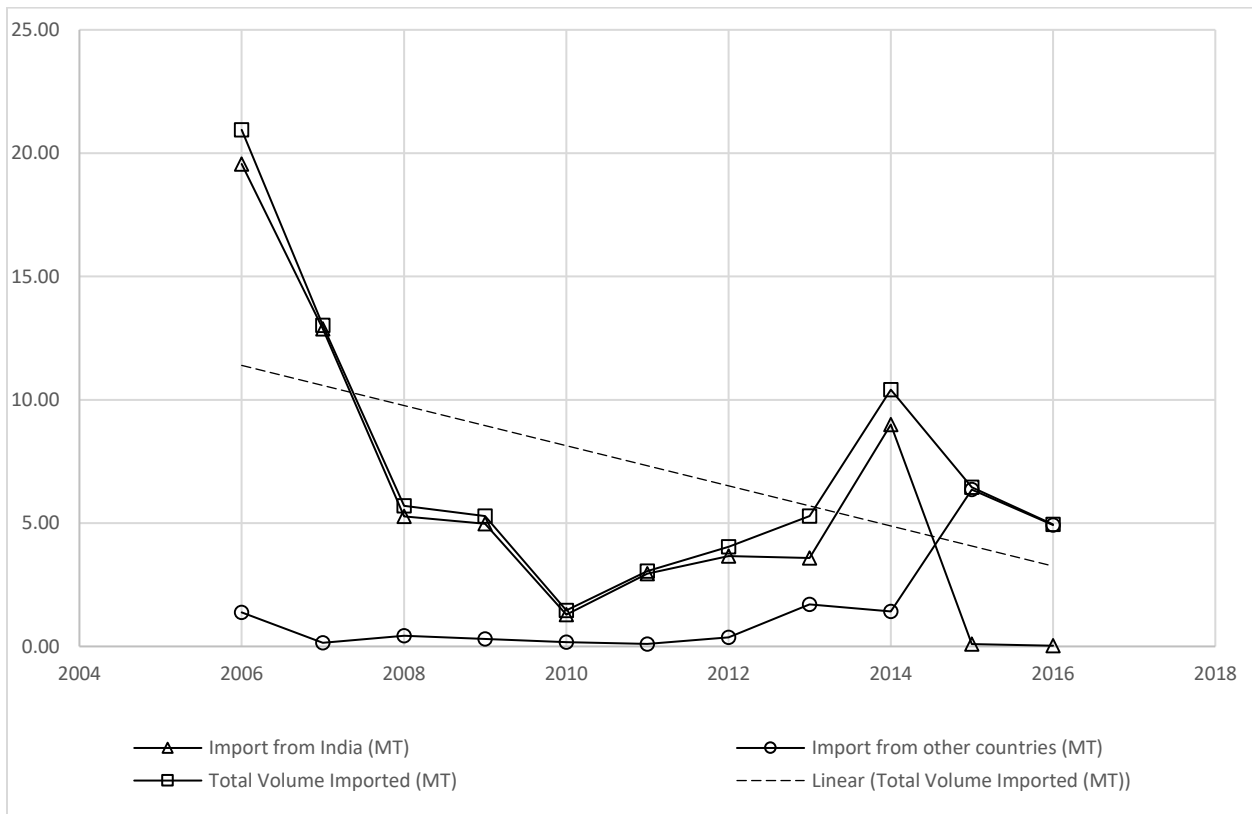
Going by the past trend, the demand for milk is expected to increase further in the foreseeable future with the increase in the urban population. However, the quality and the cost at which it

can be delivered to the consumers/ shops, the location and distribution of outlets, the availability of refrigeration facility would be critical for the success of the fresh milk industry.

At the same time, as the volume of fresh milk traded increases, so would the risk of contamination and food poisoning. It is therefore absolutely important to ensure that milk production, handling and packaging meets the highest safety standards at source and the milk is delivered and stored under optimal conditions during retail.

### 3.2. Yoghurt

The import of yoghurt has been decreasing over the years, though it has picked up slightly from 2010 till 2014, after which again the import has decreased. Conversely, import of yoghurt from third countries, other than India has started to increase from 2012 onwards.



The major producers of yoghurt are M/s Rhama Farm Fresh and M/s Bhutan Himalayan; which are both based in Thimphu. Together they produce about 3700 L of plain yoghurt weekly, out of which almost 3200 L is for Thimphu alone.

The yoghurt is packed in round plastic containers in varying sizes: 200 ml, 250 ml, 400 ml, 450 ml, 500 ml net. Depending on the size, the average retail price ranges from Nu. 30 to Nu. 60 per container. Though yoghurt too need refrigeration, they do have longer shelf life than fresh milk and this permits greater flexibility in marketing.

Though it is difficult to ascertain from data available from Bhutan Trade Statistics because yoghurt import is not listed as “plain” or “flavoured”, it can be assumed that the yoghurts being imported from third countries are mostly flavoured and liquid or drinkable yoghurts.

Almost all the yoghurt produced in Bhutan is not flavoured. Based on the import data and local information, it can be deduced that there is a growing market for flavoured and drinkable yoghurts, if the technology can be adopted.

### 3.3. Gouda Cheese

Gouda cheese is foreign to most people and is mostly sought after by the upper middle class of the local population, the expatriate community and some high-end hotels. The retail price ranges from Nu. 700 to Nu. 1000 per kilogram. The supermarkets cut the cheese into smaller units (less than 1kg) and shrink wrap and label for retail purpose. As a result there are only a few super markets that stock the produce; and roughly only about 30 kilograms are sold weekly. The demand for Gouda cheese is low and remains more or less same throughout the year.

Because of the very small market, if any enterprise is contemplating Gouda cheese production, instead of producing for the open market, it would be prudent to target only high end hotels and select supermarkets and produce based on their demand. Without knowing the quality of the

cheese that is offered and the price expected by the producer, it is not possible to ascertain additional demand.

## 4. Conclusion

Despite the limitations of the study, it can be concluded that with the right price and logistical arrangements, there is a viable market for fresh milk locally produced. There would of course be a need to link up with retailers located at strategic locations and also carry out some product advertisement in local media.

For yoghurt, technology permitting, it would be worthwhile to trial flavored and drinkable yoghurts before making full investments in the business.

When it comes to Gouda cheese, it would be more prudent to identify potential buyers, determine their interest, negotiate and produce based on their demand.