



# Demand for dairy produce by the two airlines company in Bhutan

October, 2018



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## Introduction

With the promotion of many small-scale dairy enterprises in Bhutan, to augment food security and reduce import, the demand for markets is also becoming more pertinent. Concurrently with the growth in middle-class population and the tourism industry, air travel is also increasing by the year. Currently Bhutan has two airline companies operating from Bhutan to various destinations such as Bangkok, Singapore, Kolkata, New Delhi, Dhaka and Katmandu. The airline industry is therefore seen as a potential market for dairy produce such as yoghurt and butter - which are integral constituents of in-flight meals.

A rapid market study to determine the demand for yoghurt and butter by airline companies was therefore undertaken to gauge the viability of dairy groups/ co-operatives investing and establishing a plant that is capable of producing premium quality yoghurt and butter.

## Findings and discussions

The Druk Air Corporation Limited's (DACL) current daily yoghurt requirement of approximately 500 cups (90g weight) for in-flight catering is sourced from Thailand, at Nu. 22 per cup. However, according to the DACL spokesperson, they are now entering into a business deal with Kofuku International Limited (KIL), an FDI joint venture (between Druk Holdings & Investment (DHI) and a private firm in Japan), based in Trashigang for the supply of yoghurt at Nu. 20 per cup.

The airlines also procure around 500 sachets (10 grams) of butter from Thailand at Nu. 7.00 per sachet (Table I).

**Table I: Daily requirement of butter and yoghurt - DACL**

Sl No	Particulars	Quantity	Rate (Nu.)	Remarks
1	Yoghurt (90 grams)	500 Nos	22	
2	Butter (10 grams)	500 sachets	7	
3	Fresh milk	10 liters	60	Sourced locally
4	Cheese	17 Kgs	350	Sourced locally

The current requirement is modest but is expected to grow gradually in the future with the increase in the passengers and purchase of new aircrafts.

Bhutan Airlines (BA) does not have their own catering services. Their butter and yoghurt need is met by DACL for the New Delhi sector flights and from a firm in Kolkata for the Bangkok sector flights (Table II). However, they are in the process of starting their own catering facility and they plan to include organic food in the inflight menu and expect to source fresh produce domestically.

**Table II: Daily requirement of butter and yoghurt - BA**

	<b>Particulars</b>	<b>Quantity (Nos.)</b>	<b>Rate (Nu.)</b>
1	Plain Yoghurt (50 grams)	150	10
2	Butter (10 grams)	150	7

Both companies expressed keen interest to source their requirement of yoghurt, butter and other dairy produce domestically, as this would not only provide assured market for Bhutanese producers but also benefit the airlines themselves in terms of their brand development.

However, airline is a highly sensitive industry, where the safety and quality of food is of utmost importance. Therefore, quality and safety certification of the produce is of prime importance. Other prime concern is the reliability of supply - be it in terms of the volume, quality consistency - and the price of the goods.

DACL is also keen to purchase local fruits and vegetables (F&V) directly from farmers and co-operatives, though the volume required is modest. For now, they source their produce from the traders following their tendering protocol. According to the spokesperson, inconsistency in the quality and uniformity are issues they have to contend with.

The Queens' Project is already working to produce dairy produce such as yoghurt and butter cubes with an eye on the two airlines. While a detailed feasibility study on the prospects of starting a plant producing yoghurt and butter cubes has not been conducted, preliminary market assessment – including the airlines industry – has been undertaken. The proposal for government funding as a flagship program in the 12<sup>FYP</sup> has already been submitted, according to sources.

According to the Dzongkhag Livestock Officer (DLO) of Paro, a small yoghurt making plant has already been established in Paro. A one-time effort to supply yoghurt from this plant to DACL did not materialize because of their inability to meet the required quality standards and their inability to get certification from BAFRA.

## **Conclusion**

While the requirement in terms of quality and packaging is specific, the total demand of both yoghurt and butter cubes by the airlines are not substantial so as to justify investment in a dairy plant producing these two produces.

Further, the competition to supply to the airlines is stiff; with KIL already in advanced stage of securing the supply deal. KIL is a large-scale FDI firm and it will be a challenge to compete with them. The Queen's Project has also kick started the process and may come into fruition in the very near future.

In light of the current market condition, it may not be feasible for the DAMC to support dairy co-operative(s) to supply to the airlines industry for now and even in the near future.

However, the fact remains that Bhutan still imports substantial volume of butter and milk powder; which would mean if the economics work out, a fairly large market does exist. For this an entirely holistic feasibility study has to be conducted, taking into consideration parameters such as raw materials availability, cost of investment and the costs of operation and marketing.