



RNR MARKETING STRATEGY 2021

Developed with the Funding From



Department of Agricultural Marketing and Cooperatives

Ministry of Agriculture & Forests

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Acronym

AMIS	Agricultural Marketing Information System
BAFRA	Bhutan Agriculture and Food Regulatory Authority
BAIL	Bhutan Agro Industry Limited
BCCI	Bhutan Chamber of Commerce and Industry
BEA	Bhutan Exporters Association
BIMSTEC	Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
BLDCL	Bhutan Livestock Development Corporation Limited
CFM	Centenary Farmers Market
CSO	Civil Society Organization
DAMC	Department of Agricultural Marketing and Cooperatives
DCSI	Department of Cottage and Small Industries
DOA	Department of Agriculture
DOL	Department of Livestock
DOFPS	Department of Forest and Park Services
DOT	Department of Trade
FAO	Food and Agriculture Organization
FCBL	Food Corporation of Bhutan Limited
FMCL	Farm Machinery Corporation Limited
FNS	Food and Nutrition Security
GDP	Gross National Product
GEF	Global Environment Facility
GNHC	Gross National Happiness Commission
GST	Goods and Services Tax
ICTD	Information and Communication Technology Division
LDCF	Least Developed Countries Fund
LG	Local Government
MoAF	Ministry of Agriculture and Forests
MoE	Ministry of Education
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoLHR	Ministry of Labour and Human Resources
NGO	Non-Governmental Organization
PESTLE	Political, Economic, Sociological, Technological, Legal and Environmental
PPD	Policy and Planning Division
RMA	Royal Monetary Authority of Bhutan
RNR	Renewal Natural Resource (agriculture, livestock and forest)
RNR-EH	Renewal Natural Resource Economic Hubs
RNR-MP	Renewal Natural Resources Marketing Policy
RSEBL	Royal Securities Exchange of Bhutan Limited
SAFTA	South Asian Free Trade Area
SOE	State Owned Enterprise
SWOT	Strength, Weakness, Opportunity and Threat
UNDP	United Nations Development Programme
WFP	World Food Programme

FORWARD

The RNR (Agriculture, Livestock and Forestry) Sector continues to remain integral to the interest of the Bhutan's farming community in particular and its overall economy at large. As per Bhutan Living Standard Survey 2017, about 66% of Bhutan's population still lives in rural areas, mainly relying on the Renewable Natural Resources (RNR) related activities for their livelihood. The RNR (agriculture, livestock and Forestry) sector contributes 15.82 % to GDP (NSB, 2020) and employs nearly 53.7 % of the workforce (LFS, 2018). The sector has potential to expand its role as one of the key economic drivers in the foreseeable future through (i) enhanced commercialization of RNR production, (ii) promotion of entrepreneurship, and (iii) improved marketing system.

Marketing plays a pivotal role in stimulating higher production, income generation, creating employment opportunities, linking domestic and export markets, and enhancing food security and economic development. The realization of the above goals can only transpire through establishment of efficient and effective marketing system through formulation of appropriate business intervention strategies and instruments.

Bhutan has potential not only to produce most of the commodities that are imported today but also for export and RNR monetization. Though RNR marketing process has been making rapid strides, the efficiency of marketing system needs to be further built to support thriving RNR trade in the country. It is therefore opportune that there is a robust, effective RNR Marketing Strategy with succinct, implementable, impactful actions that help realize this ministry's policy goals in shaping a vibrant, modern RNR sector consistent with the national vision and the aspirations of the Bhutanese people.

At the same time, the MoAF would like to seek the continued backing of the stakeholders, including but limited to, government agencies, NGOs, CSOs international development partners and private sector in raising fund as well as providing technical support for the fruitful implementation of the Strategy.

TASHI DELEK!

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1. INTRODUCTION

The RNR Marketing Strategy 2021 is developed with the aim to resolve the recurrent issues faced in both domestic and export markets. The strategy consists of critical analysis of the present agricultural marketing situation and identification of key issues related to the domestic marketing, exports and agri-business and RNR enterprise development, based on which critical strategies with actions are proposed for implementation. The recommended strategies and actions are classified under the six broad thematic areas: i) Policy Environment and Institutions, (ii) Present Production System, (iii) Infrastructure & Logistics for Supply and Value Chain Management, (iv) Market Research and Information, (v) Current Marketing System, and (vi) Enterprise Development.

The strategy document attempts to create inclusive RNR business opportunities in the framework of market development and value chain management. It also brings clarity on export market enhancement and enterprise development among different agencies and their roles. Most of the actions recommended in the strategy document hinges on the present issues and are in alignment with the existing policies.

The RNR Marketing Strategy, which consists of fourteen (7) strategies with (64) actions, is designed to provide guidance and operational support till 2026, and shall be reviewed for amendments as per growing need.

2. OBJECTIVES OF THE RNR MARKETING STRATEGY

2.1. Broad Objectives:

1. Support food security development;
2. Support economic development;
3. Support employment generation; and
4. Support policy decision making.

2.2. Specific Objectives:

1. Support RNR market development, trade facilitation and investment planning;
2. Facilitate access to international and domestic markets;
3. Promote clarity in the roles and responsibilities of agencies in RNR marketing;
4. Promote ease of doing business in RNR Sector;
5. Empower producers, buyers and traders with market information; and
6. Enhance supply chain management.

3. STUDY APPROACH AND METHODOLOGY

3.1. RNR Marketing Strategy, 2021

RNR Marketing Strategy, 2021 was initially developed by M/s. Thimphu Consultants International, which undertook the following studies:

Desk Review- Relevant studies, policies, strategies, acts, etc. including RNR Marketing Policy 2018, 12th FYP, Constitution, RNR Strategy 2040, etc.

Stakeholders' consultation- including focus group discussion and inclusive as well as open dialogue

Expert Backup- Online consultation with and advice from experts from within and abroad

STEEPLE and SWOT analysis

3.2. Review by Taskforce

In accordance with the directive of the Ministry of Agriculture and Forests (MoAF), a taskforce was instituted that reviewed, revised and refined the aforesaid RNR Marketing Strategy, 2021 as follows:

- Identified major/gaps issues that need to be addressed,
- Recommended critical strategies, and
- Suggested implementable actions and concepts.

Stakeholder Consultation

Both the consultants and the Review Taskforce conducted wide Stakeholder Consultation (including focus group discussion) with Dzongkhag RNR officials, RNR staff in the field, local leaders, experts, farmers, cooperatives, key participants in domestic/export marketing of RNR commodities, Department of Trade, Department of Cottage and Small Industry, Bhutan Chamber of Commerce and Industry, other relevant central agencies, important sectors in the field, SOEs, international development partners and those individuals involved in the agribusiness sector as entrepreneurs, and field verification across the 20 Dzongkhags to get firsthand information, idea and inputs.

4. INSTITUTIONAL ARRANGEMENT

- Department of Agriculture Marketing and Cooperatives is the lead agency in preparing the RNR Marketing Strategy and coordinating its implementation.
- The Technical Departments and Agencies under the Ministry of Agriculture and Forests will be the implementing partners.
- Other Agencies outside the MoAF will play roles as per their mandate, befitting the RNR Marketing Strategy where applicable as follows.

Table 1: Main Agencies outside MoAF and their potential collaboration and roles

Sl. No.	Agency	Area of Collaboration	Roles
1	DoT, MoEA	Export Market Promotion and Market Access Facilitation	Policy support and intervention
2	DCSI, MoEA	(CSI) Enterprise Promotion – Post Production (Value Addition, capacity building and Marketing)	Resource sharing
3	MoFA	Export Market Promotion	Policy support and intervention
4	BEA	Export Market Promotion	Export linkages and collaboration
5	RSEBL	Export Market Promotion	Online trading
6	FCBL	RNR marketing (Export and domestic)	Buy-back, auction, internal distribution and export
7	BLDCL	Domestic marketing	Internal distribution
8	CSOs	RNR marketing, processing and value addition	Linking producers with consumers
9	BCCI	RNR Marketing	Private sector participation in RNR marketing
10	RMA	Credit scheme and transaction	Ecommerce and e-payment
11	BAIL, other RNR Industries	Product development and diversification	Processing, value addition
12	MoF	Regulation of cheap RNR imports	Fiscal policy instruments and other intervention
13	Local government	Domestic market	Marketing support
14	MoLHR	Youth engagement and entrepreneurship	RNR enterprise and agribusiness development
15	MoE	School feeding	Linking farmers with schools

5. THEMATIC AREA ANALYSIS AND KEY STRATEGIES

5.1. Policy Environment and Institutions

The government policies, strategies and investment were mainly focused on increasing agricultural production for food self-sufficiency in the past. The RNR sector was viewed as development tool for livelihood improvement and not as business opportunities. Recognizing the need and importance of agricultural marketing to promote agriculture as a business, the RNR Marketing Policy was approved in 2018. The overall policy objective is to enhance the competitiveness, efficiency, and effectiveness of the RNR marketing system. However, the policy does not adequately cover aspects of agricultural trade and import.

The past interventions have not adequately applied fiscal and monetary policies to protect domestic production from the cheap food imports. As per Bhutan Trade Statistics 2020, Bhutan today imports more than 8 billion worth of food items (fresh and processed), which directly amounts to a trade deficit of about Nu.6.4 billion annually. This has resulted in a huge trade imbalance and the rapid decline in food self-sufficiency despite the declared food sufficiency goals in all preceding five-year plans. Small countries enjoy the status of being internationally negligible as impact of our agricultural import, and export duties and tariffs will have negligible effect on our giant neighbors. Moreover, our main trading partner has always been prepared to accede special and differential treatment to Bhutan. For example, the restrictions on imports of eggs enabled Bhutanese farmers to fill the void quite rapidly. Likewise, during the lockdowns, urban consumers were supplied with locally produced vegetables in sufficient variety and quantity with the exception of green chilies. The restrictions on import of chilies and few other products due to detection of pesticide residues above maximum residue limit (MRL) also led to rapid supply responses from Bhutanese farmers. These clearly illustrate the need and efficacy of using policy instruments to aid domestic production, exports and import substitution thereby contributing to food security.

While farmers can specialize in production, for the marketing purpose, aggregators, wholesalers and retailers need to be promoted and supported through various schemes. The present policy does not adequately support investment in value chain management, leading to disorganized trading. There is a need for structural changes in institutional development and human resource deployment in strategic location to enhance RNR trading.

The present support mechanism including marketing subsidy is thinly spread with little impact in market system development. A suitable policy is needed to streamline and institutionalize marketing supports through organized bodies and agencies (CSOs, Financial Institutions, Associations and Federation)

To achieve economies of scale, increase bargaining power, and maintain quality standards, federations of cooperatives and viability of statutory marketing boards for specific commodities should be explored. In order to boost domestic consumption, there is a need to harmonize import of RNR products with the domestic production. One of the important factors affecting marketing and distribution of RNR produce is the high risk associated with RNR produce marketing. At the moment, there is limited de-risking mechanism instituted.

The private sector engagement and investment in commercial production and marketing is still at infancy. The support for market infrastructure under cost sharing mechanism limits to smaller scale operation. To promote seasonal production and surplus management at the national level, there is a need for a differentiated cost sharing system, which can encourage private sector participation. Further, the coordination between different stakeholders involved in RNR marketing needs to be enhanced. For instance, there is lack of clarity on the mandates of MoAF and MoEA on export of RNR products and enterprise development. Lack of infrastructure and clarity on the functions of DAMC vis-à-vis Department of Agriculture with respect to providing post- production support to the farmers needs to be made clear.

Buy-back price set at the cost of production is not well received by farmers. Sustainability of government buy-back program will arise with large sums of funds required in case of a market failure. Therefore, it is imperative to review and revise the existing buy-back scheme as a comprehensive scheme including the number of commodities to be included and the buy-back price and mode of disbursement.

STRATEGY I: Promote enabling policy environment and multi-sector coordination to support effective RNR marketing.

Table 2: Actions for Thematic Area- Policy Environment and Institutions

Major Issues	Actions	Lead Agency	Collaborators	Time frame
The current RNR Marketing Policy does not cover policies on agriculture trade and food import.	Expand the RNR Marketing Policy to cover agriculture trade policies, including the harmonization of import of food and agricultural inputs.	DAMC	PD-MoAF, MoEA (DoT)	June, 2022 (Short Term)
Current cost sharing mechanism does not cover industrial level investment	Develop industrial level cost sharing scheme for agribusiness development	PPD-MoAF	DAMC, MoEA (DoT, DCSI), MoF, BCCI,	June, 2022 (Short Term)
Marketing support thinly spread and not result oriented	Institutionalize marketing support mechanism through organized bodies and agencies.	DAMC	PPD-MoAF, DoA, DoL, DCSI, BCCI, FIs	June, 2022 (Short Term)
Duplication of effort by agencies in doing RNR product marketing and enterprise development.	Revise RNR Enterprise Development Guideline with clear roles to avoid duplication of efforts by agencies such as DCSI, DAMC, DoA & DoL.	DAMC	PPD-MoAF, MoEA (DoT, DCSI), DoA, DoL, DoFPS, BCCI	Dec., 2021 (Short Term)
Poor coordination, and unclear role of different agencies for RNR export promotion.	Strengthen Multi Sectorial Committee roles and responsibilities	DAMC	MoEA (DoT, DCSI), MoF, DoA, DoL, DoFPS, BCCI	Nov., 2021 (Short Term)
Liberal import of food items	Harmonize import with domestic production	DAMC	MoF (DRC), BAFRA	June, 2022 (Short Term)
Lack of effective and efficient marketing services at the Dzongkhag levels	Strengthen marketing services through establishment of regional and Dzongkhag RNR marketing institutions.	DAMC	HRD-MoAF	Dec., 2021 (Short Term)

	Develop National and Dzongkhag RNR Marketing Action Plans with guidance drawn from RNR Marketing Policy, 2018 and RNR Marketing Strategy, 2021	DAMC	MoEA (DoT, DCSI), Dzongkhags	June, 2022 (Short Term)
Poor coordination among cooperative (s)/farmers group (s) to take up collective RNR product marketing.	Explore the viability of setting up commodity-based Statutory Marketing Board for export promotion.	DAMC	MoEA (DoT), BCCI, BEA	June, 2023 (Short Term)
	Promote truly democratic, empowered, enabled and professionally managed Marketing Cooperatives at Gewog, Dzongkhag and National level.	DAMC	DoA, DoL, DoFPS, Dzongkhags	June, 2023 (Short Term)
Inadequate de-risking mechanism and support system in commercial production and marketing.	Internalize market by linking production with consumption strategically, and promote processing/value addition industries. Propose safety net package that is strategic and sustainable, such as Buyback Schemes to provide market assurance to commercial producers. Formalize separate annual buyback budget. Facilitate access to market finances which have lower interest rates and/or credit guarantees covered jointly by Bank and Government.	DAMC	DoA, DoL, DoFPS, PPD, MoEA, SoE, BCCI, RMA	June, 2023 (Short Term)
Lack of clarity on the function of DAMC vis-à-vis DoA on post-harvest.	Review the functions and mandates of National Post Harvest Center and accordingly align with relevant agency.	PPD-MoAF	HRD-MoAF, DoA, DAMC	Dec., 2021 (Short Term)

5.2. Production System

Currently, the production of RNR commodities is not driven by market force, resulting in surplus at household level which is not big enough for trading, and yet too big a volume for self-consumption. Most farmers are subsistence oriented with non-commercial objectives coupled with limited capacity to take up commercial production. On the other hand, the cost of bringing farm inputs to farms and transportation of farm produce to markets are major transaction costs in RNR sector business that result in poor economies of scale and high unit price, consequently making local products uncompetitive particularly in relation to imports. These significantly impede aggregation of the products to efficiently reach the main stream urban markets, causing price inflation and market distortion. The present RNR sector development is centered towards livelihood improvement limiting economic growth in RNR sector. A change in development approach is crucial focusing on both livelihood and economic growth with different support systems.

STRATEGY II: Promote market-led commercial production

Table 3: Actions for Thematic Area- Present Production System

Major Issues	Actions	Lead Agency	Collaborators	Timeframe
Mismatch of production and market demand.	<p>Take stock of food demand and supply in major urban centers to forecast annual requirement for targeted production.</p> <p>Promote market/demand driven production and incentivize production of priority commodities for both export and domestic markets.</p> <p>Develop and implement market assurance and price guarantee scheme</p>	DAMC	PPD-MOAF, DoA, DoL, DoFPS, Dzongkhags	June, 2023 (Short Term)
RNR development is centered towards livelihood improvement limiting economic growth.	Review Food and Nutrition Security (FNS) Policy to promote both livelihood and economic growth with different support systems	PPD-MoAF	DoL, DoA, DAMC, BAFRA, DoFPS	June, 2023 (Short Term)

Seasonal glut and scarcity in different places.	Develop annual production projection with market distribution plan.	DAMC, DoA, DoL, DoFPS	PPD, Dzongkhags, SoE	June, 2022 (Short Term)
Cheap import affects growth of commercial production.	Amend FNS Policy for comparative advantage-based production for food security.	PPD-MoAF	DAMC, MoEA (DoT), MoF (DRC)	June, 2023 (Short Term)
Poor economies of scale and high unit price.	Promote specialized production zones and initiate contract grower system.	DoA, DoL, DoFPS	Dzongkhags, DAMC, SoE	June, 2023 (Short Term)
Inefficient market linkage inside the country.	Develop linkages between the value chain actors.	DAMC	DoA, DoL, DoFPS, Dzongkhags, MoEA (DoT, DCSI, DoI)	June, 2022 (Short Term)

5.3. Infrastructure and Logistics for Supply and Value Chain Management

The average farm size is small, and most production locations are highly scattered and far away from the markets that require long distance shipment of RNR commodities to the markets. In addition, inadequate aggregation centre, sorting, grading, storage and processing facilities, lack of proper pack-house at entry/exit, limited storage, market facility, and weak collective marketing system and poor coordination among farming households to secure sizeable volumes for joint transport are major constraints to connect rural production to the urban markets. Intermediaries, such as aggregators, wholesalers, retailers, vegetable vendors, etc. are not attracted to engage in possible partnership farmers due to irregular supply, including quantity as well as quality, and fluctuation in delivery timings by farmers. Apart from a handful of medium and large-scale food processing enterprises, a vast majority of the food processing businesses operates informally on a small scale. A more coordinated staggered production plans and assembling of farm produce collectively at common aggregation centers would ease the situation.

The country's mountainous terrain presents major obstacle for marketing RNR products. Transportation facilities are limited in number and also of basic nature (very limited refrigerated trucks) and it is further constrained by high costs due to low passenger and freight volumes. Long distances to markets along rugged mountainous terrain not only increases transportation cost but subject commodities to post harvest losses.

STRATEGY III: Enhance market infrastructure development investment.

Table 4: Actions for Thematic Area- *Infrastructure and Logistics for Supply and Value Chain Management*

Major Issue	Actions	Lead Agency	Collaborators	Timeframe
Poor product quality and low volume.	Inventorize existing processing and marketing facility and develop investment plan.	DAMC	Dzongkhags	June, 2022 (Short Term)
	Design, explain and articulate Quality Control Systems through training and necessary infrastructures.	DAMC	BAFRA, MoEA (DoT), BSB	June, 2023 (Medium Term)
High post-harvest losses.	Develop national post-harvest management facility plan focused on specific commodities.	DAMC	DoA, DoL, DoFPS, PPD	June, 2022 (Short Term)
Poor product aggregation leading to high transaction cost.	Establish Aggregation Centre at source and pack house at major entry/exit gateways.	DAMC	DoA, DoL, BAFRA, MoEA (DoT), Dzongkhag	June, 2024 (Medium Term)
	Establish RNR Economic Hubs with required facilities based on production potentials.	DAMC	DoA, DoL, DoFPS, PPD-MoAF, MoEA (DoT, DCSI), Dzongkhags, BCCI, BEA	
Minimal product development from primary raw material, leading to huge import of basic products.	Explore the feasibility to establish world class centralized processing and value addition facility for priority commodities.	DAMC	DoA, DoL, DoFPS, PPD, MoEA (DoT, DCSI, DoI), BCCI, Dzongkhags	Dec., 2022 (Short Term)
	Facilitate and support private sector participation in RNR produce processing and value addition.	DAMC	DoA, DoL, DoFPS, PPD, MoEA (DoT, DCSI), MoF, BCCI	

	Promote branding and certification of RNR products.	MoEA (DoT)	DAMC, BAFRA, BSB	
Products from farmers groups and cooperatives find difficulty to attract buyers.	Institute e-commerce online buying and selling platform and strengthen the existing commodity exchange platform and encourage groups and cooperatives to use the platform for their products.	DAMC	RSEBL, ICTD-MoAF, MoEA (DoT), RMA	June, 2022 (Short Term)
	Establish cooperative outlets in urban centers with required facility.	DAMC	MoEA (DoT, DCSI), BCCI, Dzongkhags	June, 2023 (Short Term)

5.4. Market Research and Information

One of the most pressing issues recognized in the RNR sector development today is the asymmetric market information, which has impeded farmers and other actors to pursue market led production for better income. There have been continuous issues of having shortage of vegetables in one part of the country and excess in another part at the same time.

Well-thought-out and well-executed research, collection and analysis of market information and timely dissemination of information in a manner that can be used by policy makers, producers, traders and other stakeholders are key to effective marketing of RNR commodities. Present AMIS is limited to domestic market price and does not provide information on demand and supply.

The ability of farmers to effectively plan production and marketing of RNR commodities, and trading of other rural products are limited in the absence of a real time market information and convenient buying and selling platform, other than few physical structures (CFM, weekend markets, roadside market facility, etc.). This not only creates the dependency on physical structures but encourages middlemen (buyers) to pay less to farmers and reap maximum profit margin.

Limited export market information, such as international market demand and opportunities, has resulted in export dependency on few buyers and limited international market reach.

STRATGEY IV: Promote market research and information to empower value chain actors.

Table 5: Actions for Thematic Area- *Market Research and Information*

Major Issues	Actions	Lead Agency	Collaborators	Timeframe
Price distortion, supply chain disruption and artificial scarcity creation. Farmers have limited access to market information and pricing information.	Upgrade AMIS to empower buyer and seller through transparent and real time information for both international and domestic markets.	DAMC	ICTD-MoAF, RSEBL, MoEA (DoT)	June, 2022 (Short Term)
Limited access to international market opportunity.	Enhance market research on international market and establish linkage with international market.	DAMC	MoEA (DoT), MoFA, BCCI, BEA	June, 2023 (Short Term)
Limited competition among major buyers of export commodities.	Promote product trading through commodity market/exchange platform (digital as well as physical). Develop annual marketing and product advocacy plan.	DAMC	ICTD, RSEBL, MoEA (DoT), BCCI, BEA DoA, DoL, DoFPS, Dzongkhags, MoEA (DoT)	June, 2022 (Short Term)

5.5. Marketing System

The domestic marketing system is constrained by several difficulties. The main constraint relates to the fact that most farmers are subsistence oriented with very little or no commercial objectives, not driven by market forces. As a result, there are seasonal gluts on the one hand and shortages on the other.

The limited commercial productive capacity of smallholder farmers coupled with the lack of infrastructure poses a major constraint to supplying the urban markets. The highly scattered location of family farms leads to high transaction cost while bringing produce to markets. Collection and assembly of RNR produce especially vegetables in one area by farmers continue to be a challenge in terms of cost-effective coordination.

While production enhancement is possible with efforts from the technical departments through distribution of inputs and technical support, difficulty in marketing the produce with adequate returns on investment still remains a challenge. A more coordinated and staggered production and assembling of farm produce collectively at common aggregation centers would ease the situation.

Inadequate proper storage and processing facilities, collection and aggregation centers and absence of collective marketing to secure sizeable volumes for joint transport are some of the challenges faced by the farmers. Weak farmer groups and poor functioning of cooperatives have also resulted in not achieving the objective of collective marketing to increase their bargaining power and achieve economies of scale. Lack of business knowledge and market information also limits market requirements and timely delivery.

Exports of RNR products are limited to few commodities and markets. Free access to the Indian market provides Bhutan with a major export opportunity. However, this opportunity is also posing challenge as India formalizes its trade, whereas most of the trade with India is still informal. Bangladesh is the second largest export market for Bhutan. The scope for export of agricultural products to Bangladesh by air is worth exploring especially in the context of the Preferential Trade Agreement signed in 2020.

Despite a high concentration of exports into India and Bangladesh, the sheer size of Bhutan's South Asian trading partners means they still have great absorption capacity for Bhutanese produce, particularly during off-season months in the importing countries. There is also great potential to expand exports of high-value, low-volume specialized products to these markets and beyond. However, the challenge for fully benefiting from such niche markets will be overcoming bottlenecks arising from production and marketing constraints associated with a lack of marketing skills, product standards, certification, post-harvest infrastructure and technology.

5.5.1 Domestic Market

While urban areas complain of not getting fresh fruits and vegetables, the rural farmers grumble about not being able to sell their produce. When one part of the country has excess production and difficulty in marketing, another part of the country is in need during the same period, clearly indicating the prevalence of flaws in the entire supply chain.

Firstly, most farmers are subsistence oriented without commercial objective. For an individual farmer/household, whatever is left after personal consumption is an excess requiring marketing intervention. On the other hand, the quantity is too small to merit marketing interventions from the government. This is further aggravated by scattered location and lack of required infrastructure which ultimately affects price and quality. Intermediaries or "aggregators" are not attracted due to irregular supply and fluctuation in quantities. Collective marketing to gain economies of scale and bargaining power is hardly practiced by our farmers. The lack of sufficient volumes and designated aggregation centers has discouraged vegetable vendors in the past to engage in possible partnership with farmers in the country. Therefore, Bhutanese vegetable vendors find direct purchases from abroad more profitable and reliable than relying on higher priced, insufficient and unreliable supplies from the local farmers.

The internal distribution system is not well organized. One of the factors that could be attributed to it is the high transaction cost involved in distributing produce from one part of the country to another part and production areas to the consumption points. The country's mountainous terrain coupled with frequent road blocks during the peak production seasons are also major obstacles for marketing RNR products. Transportation facilities are limited in number and constrained by high costs due to low freight volumes. Therefore, glut in one part and scarcity in another part is a re-occurring phenomenon in our context.

Processing, storage and value addition is very minimal as most of the farmers basically in need of cash prefer to sell their produce as fresh as much as possible. A classic example is potato, which can be stored for quite some time with the required post-harvest technology, but our farmers still prefer to sell them right after the harvest.

In order to boost domestic consumption, harmonization of import with domestic production is very important. The harmonization could be done either through import regulation based on the domestic production or through imposition of fiscal or monetary measures. Especially schools, hospitals and dratshangs/shedras are major domestic markets besides the major urban centers, and hence concerted efforts should be made to link these institutions to source their supplies from local producers with no or very little formalities on procurement. The government may also direct all institutions and hospitals to source their supplies domestically only. The current School and Hospital Feeding program may need to be re-looked to bring in more clarity in the roles of farmers, producers, other stakeholders and SoEs.

STRATGEY V: Develop internal market distribution system to ensure access to domestic markets.

Table 6: Actions for Thematic Area- Domestic Market Development

Major Issues	Action	Lead Agency	Collaborators	Timeframe
Farmers not able to reach the products to mainstream markets.	Promote convenient buying and selling through RNR-EH establishment.	DAMC	ICTD-MoAF, RSEBL, DoA, DoL, DoFPS, FCBL, MoEA (DoT, DCSI), BCCI	June, 2024 (Medium Term)
	Develop robust internal domestic market and distribution system.			June, 2023 (Short Term)
	Develop critical internal market infrastructure plan.			June, 2022 (Short Term)
Poor quality and inconsistency in supply.	Promote intermediaries/ aggregators to ensure quality and standards with clear support mechanism.	DAMC	Dzongkhags, MoEA (DoT, DCSI)	June, 2022 (Short Term)

Huge competition from cheap import.	Intervene through state policy towards local product market development and promotion.	PPD-MoAF	DAMC, BAFRA, MoEA (DoT), MoF	June, 2023 (Short Term)
Duplication in farmers and SOEs activities and priority.	Review mandates of FCBL, BLDCL, FMCL to support domestic marketing.	PPD	DAMC, DoA, DoL, DoFPS, SoE, MoEA (DoT)	June, 2022 (Short Term)

5.5.2 Export Market

Bhutan is party to a free trade agreement with India and is a member of the SAFTA and BIMSTEC. With the liberalization of trade and markets, there is an increasing trend towards outward-oriented policies, with export markets seen as an important source of economic growth. Foreign markets provide new opportunities for farmers in Bhutan. However, to take advantage of these opportunities, farmers must be able to participate in productive activities in which they have a competitive advantage. This implies access to well-organized marketing, distribution and post-harvest systems, effective market information and technologies that allow them to be competitive in price and quality.

Free access to the Indian market provides Bhutan with a major export opportunity and India is by far the most important trading partner of Bhutan. A number of factors have contributed to the predominance of India in Bhutan's external trade scenario. The most important of these are geographical proximity and the free trade agreement between the two countries. Bangladesh is the second largest export market for Bhutan. The scope for export of high value agricultural products to Bangladesh by air is worth exploring especially in the context of the Preferential Trade Agreement signed in 2020.

RNR exports mainly are confined to potato, orange, cardamom and apples for the Bangladeshi and Indian markets, which too are dominated by few major buyers. Small quantities of highland red rice are being exported to the USA, United Kingdom and Germany; and high-value cordyceps and matsutake mushrooms are exported to premium markets in China and Japan by individual Bhutanese entrepreneurs.

Most of the fruits and vegetables do not have marketing issues since most of them are easily exported to neighboring India. However, with India formalizing its import policy with lots of restrictions and requirements, the export of commercially produced vegetables like potato, carrot, cabbage and fruits, such as apples may become a challenge in the years ahead. Since these commodities are produced targeting the export market, the domestic markets will not be in a position to absorb all the production. Therefore, such emerging scenario calls either exploration of alternative export market or reduction of the production of these commodities, which have very little scope for export and also domestic market consumption.

The sheer size of Bhutan's South Asian trading partners means they still have great absorption capacity for Bhutanese produce, particularly during off production months in the importing

countries. Similarly, there is also great potential to expand exports of high-value, low-volume specialized products to these markets. A significant opportunity would be differentiating Bhutanese exports from conventional South Asian produce, both with documented sources (traceability) and effective communication to quality-oriented South Asian distributors and consumers.

BAFRA certification encounters accreditation and recognition issues. Certification of organic products is yet to be recognized by the purchasers. The GST product coding and lack of adequate technology and personnel at the Indian custom border controls are also seen as bottlenecks with long delays before the consignment is released.

If the producers of the major export commodities were to collaborate and market their produce collectively, the system would become more favorable to them. They could obtain the necessary certification from BAFRA and enforce the standards amongst their members. The use of RSEBL's commodity exchange will also enhance their market prospects significantly beyond the existing buyers.

STRATGEY VI: Ensure access to international markets.

Table 7. Actions for Thematic Area- *Export Market Development*

Major Issues	Actions	Lead Agency	Collaborators	Timeframe
Dominance of export market by few major buyers leading to limited competition.	Identify potential export markets and conduct trial marketing with investment plan.	DAMC	MFA, MoEA (DoT), BCCI, BEA	June, 2023 (Short Term)
	Strengthen commodity exchange platform with necessary support and facilities (Advocacy, Warehouse, Grading, washing and drying facility, etc.).	DAMC	ICTD-MoAF, MoEA (DoT), RSEBL	June, 2023 (Short Term)
	Embrace and promote National E-Commerce Portal for marketing value added RNR products.	DAMC	ICTD-MoAF, MoEA (DoT), RMA, RSEBL	June, 2022 (Short Term)
Limited information and access to potential export markets leading to slow growth	Establish RNR product outlets in neighboring countries (India, Bangladesh and Thailand)	DAMC	MFA, MoEA (DoT), BCCI MFA, MoEA (DoT)	June, 2024 (Medium Term)

of export markets.	Institute and/or utilize RNR Commercial Attaché in exploring export markets in all strategic locations (Dhaka, Kolkatta, Guwahati, Bangkok & Delhi) Differentiate Bhutanese exports from conventional South Asian produce, both with documented sources (traceability) and effective communication to quality-oriented South Asian distributors and consumers.	DAMC DAMC	BAFRA, BSB, MFA, MoEA (DoT), BCCI	June, 2023 (Short Term) June, 2023 (Short Term)
Market linkage is impeded by too much dependency on road transport.	Explore the possibility of instituting cargo flight.	DAMC	Airlines, PPD-MoAF, MoEA (DoT), MoIC	June, 2022 (Short Term)
Standards and Certification are not streamlined as per the need of importing country.	Improve RNR Certification and Accreditation Systems. Line departments to develop standards and BAFRA to certify as per the requirement of potential importing countries on selected commodities.	BAFRA DoA, DoL, DoFPS	DAMC, BSB, DoA, DoL, DoFPS, MEA (DoT) BAFRA, DAMC, MoEA (DoT), BSB	June, 2024 (Medium Term) June, 2024 (Medium Term)
Poor recognition of organic products from Bhutan	Develop Bhutan organic brand to promote organic trade.	NCOA	DoL, DoA, DAMC, BAFRA, DoT	June, 2022 (Short Term)
Inadequate export processing facilities and infrastructures.	Establish Export Facilitation Centers (EFC) at the 5 main export gateways.	DAMC	PPD-MoAF, MoEA (DoT), BCCI	June, 2024 (Medium Term)

5.6. RNR Enterprises

RNR activity need to be promoted as a business, not only as a livelihood development strategy. It is also critical to create an enabling environment that foster enhanced and sustained enterprise development through diversification of RNR sector from mere production to other areas of

economic opportunity, such as in value addition and other agribusinesses. Identifying viable enterprises, promoting private sector involvement and investment and supporting establishment of such enterprises require expertise in different fields.

The lack of innovation and innovative projects, and inadequate economies of scale, associated with limited skills and information in agri-business has hampered the growth of RNR enterprise¹. Therefore, having a dedicated one-window services and business incubation centers for the promotion and development of RNR enterprise are critical. However, the government project supports are sporadic and not directly linked to securing capital investment for the enterprise development.

STRATGEY VII: Promote RNR enterprise for value addition and product development.

Table 8. Actions for Thematic Area- RNR Enterprise Development

Major Issues	Actions	Lead Agency	Collaborators	Timeframe
Lacks a clear policy directive on RNR enterprise development	Revise FNS Policy as well as RNR Enterprise Development Guideline to promote RNR enterprise as development priority.	PPD-MoAF	DAMC, DoA, DoL, DoFPS, BAFRA, MoEA (DoT, DCSI), BCCI	June, 2023 (Short Term)
Difficulty in doing business in RNR sector due to diverse requirement of process, technical, certification, legality, etc.	Establish dedicated one-window services for RNR enterprise for promotion and facilitation.	DAMC	PPD-MoAF	June, 2022 (Short Term)
Weak coordination and duplication between agencies promoting RNR enterprise.	Establish a Multi Stakeholder Platform for RNR enterprise development with clear TOR.	DAMC	PPD- MoAF, MoEA (DoT, DCSI), BCCI	June, 2022 (Short Term)
Limited Resource allocated for RNR Enterprise development and spread thinly in different agencies leading to poor impact	Develop a dedicated project for RNR Enterprise transformation. Institutionalize government support for large scale RNR enterprise development under cost	PPD-MoAF	DAMC	June, 2023 (Short Term) June, 2022 (Short Term)

¹ RNR Enterprise – Any business related to RNR Sector established primarily for economic growth and employment generation with particular focus on value addition and processing activities. These enterprises will be primarily implemented by DAMC. The enterprises undertaking primary production activities which are at commercial scale (eg. commercial vegetable, egg, meat production etc.) will be implemented by technical department

	sharing mechanism with clear guidelines.			
Limited innovation and innovative enterprise due to lack of platform to share and nurture innovations	Establish RNR enterprise incubation centers at strategic locations (under RNR-EH).	DAMC	PPD-MoAF, MoEA (DoT, DCSI), BCCI	June, 2024 (Medium Term)
Inadequate technical and entrepreneurial skills among the youth.	Centralize entrepreneurial and skill development under one agency with quality control accreditation system.	PPD-MoAF	DAMC, MoEA (DoT, DCSI), MoLHR, BCCI	June, 2023 (Short Term)
	Develop entrepreneurial and skill development plan for RNR enterprise.	PPD-MOAF	DAMC, RDTC, MoEA (DoT, DCSI), MoLHR	June, 2023 (Short Term)
Poor private sector investment in RNR Enterprise due to lack of clear support system.	Develop de-risking mechanism and support policy.	PPD-MoAF	DAMC, MoF, RMA, MoEA (DoT, DCSI), BCCI, MoLHR	June, 2023 (Short Term)
	Facilitate and support private sector participation in RNR Enterprise development with clear support system.	PPD-MoAF	DAMC, DoA, DoL, DoFPS, MoEA (DoT, DCSI), BCCI, MoLHR	June, 2023 (Short Term)

6. PROPOSED CONCEPTS UNDER RECOMMENDED STRATEGIES

6.1. RNR Economic Hubs (RNR EH)

It is a physical zoning of Dzongkhags or Gewogs based on potential commodities (*crops, livestock or forestry products*) that have potential to go commercial business. RNR EH works on the principle of building business ecosystem wherein the whole value chain is managed for sustainability, efficiency and profitability. In this concept the farmers or the producers are placed in the center of development as **growers**. To propel the evolution, the hub is equipped with facilities which provide all the conveniences for the growers, aggregators and wholesalers for input supply, processing, value addition, storage, machinery and equipment rental, land development as well as agricultural-related transportation and distribution, as depicted below.

6.1.1. Concepts and its Establishments

The Ministry of Agriculture and Forests will identify Dzongkhags with three to four commodities which has potential to be upscaled into becoming commercial business. This Dzongkhag will then identify a strategic location where the production factors (land, labour and capital) is favorable for investment. The main criteria will be suitable agro ecological zone and the availability of large area for farming. The roles and responsibilities of different stake holders will be made clear for predefined outputs and clear roles as follows:

- SOEs/Private sector will establish large scale production farms and input supply business
- Departments will provide best technical expertise
- Research and Extension centers will bring in modern technologies
- Govt will establish critical facilities in value chains (*processing and value addition*)
- Farmers will be connected as contract grower
- SOEs /Private sector will link to the market
- MoAF will facilitate loans/credit and grants where possible

In this concept the hub is establish in a region, or multiple gewogs, or in one or two Dzongkhags where connectivity can be established. The main focus is to encourage farmers in and around the eco hubs to produce the potential commodities, and market to eco hubs.

The RNR EH will have different basic facilities catering to farmers. Here the first level of post-harvest intervention will take place.

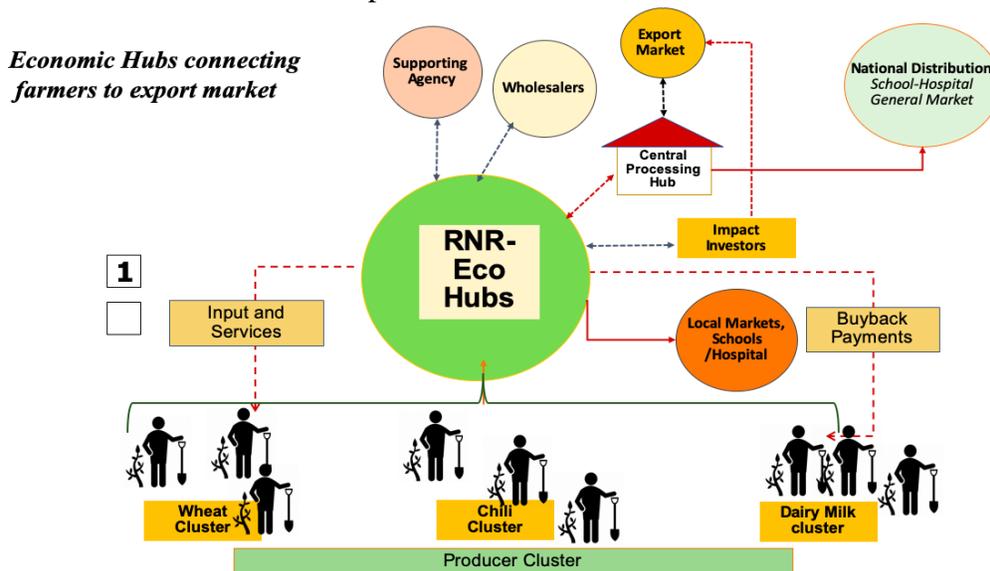


Figure 1: RNR Marketing Eco-system model, with Economic Hubs and Central Processing hubs (Source: Erstwhile RNR EDCU, MoAF)

6.1.2. Vitalizing the RNR Eco Hub Concept

To magnetize the RNR EH, first it will be important to bring in few activities which will attract the attention of the stakeholders. Therefore, the entry point for RNR EH creation will be leveraging on the existing production, or small businesses which can be upscaled with investments. Example:

Southern Dzongkhag can be put under one Eco Hubs for export quality spices production, where farmers can grow turmeric, ginger etc in commercial scale to be processed into export quality products. SOEs or private sectors will be encouraged to grow or produce products which are in line to what is in the community. The farmers around the community will be revitalized to grow the same crop or livestock with the assurance for market.

6.1.3. Facility Development

Develop facilities inside the RNR- Economic Hubs to enhance input supply, marketing and service delivery efficiency

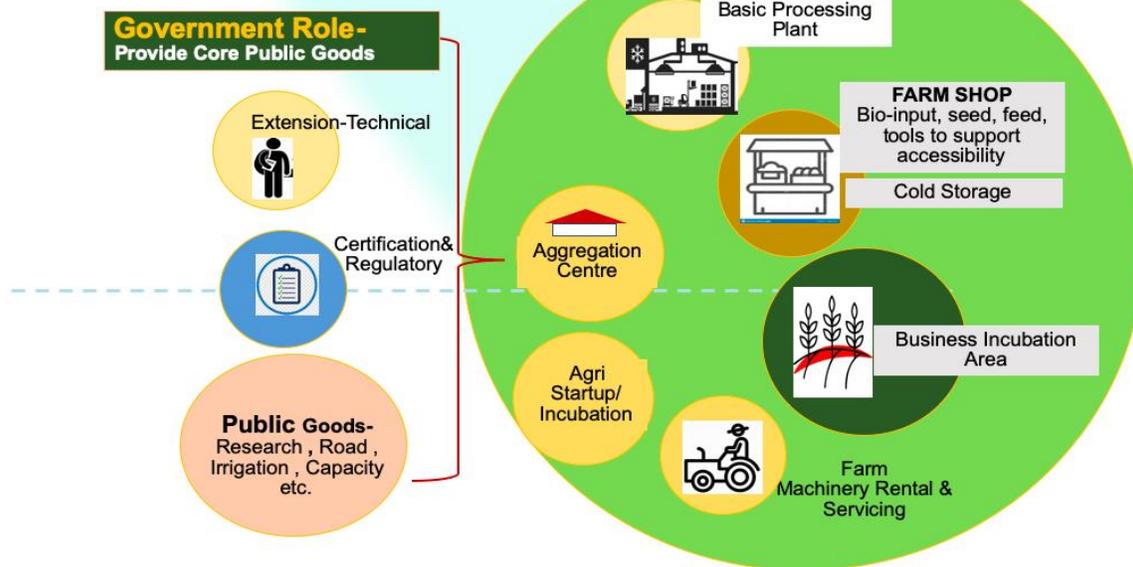


Figure 2: The Facility Development Concept under the proposed RNR-EH (Source: Erstwhile RNR EDCU, MoAF)

The idea of RNR EH is also to create *massive demonstrative effect* on farmers and aggregators and progress to become a part of commercial agriculture to grow business, and in the process reinforce their competitiveness, through collaboration, innovation and adoption of ideas, generation of important local externalities, such as skilled labour pool.

The RNR EH can only be established after conducting through mapping of potential commodities which can be grown or produced in the country



Figure 3: Commodity Mapping to ascertain Eco Hub location

6.1.4. Investment

The investment for RNR EH and central processing creation could come from government, impact investors or private sectors. However, it is important for the government to first **demonstrate its concept in practice**. To this it is important to first build an enabling environment inside the RNR EH with facilities explicitly for the processing, value addition of agricultural products, storage, input production (*bio inputs*), which could be *leased* to aggregators and operators who will run as a business, and facilitate *the farmers with*:

- Inputs and services (financial)
- Buy back at agreed price & and facilitate certification
- Provide processing and value addition services
- Storage and distribution services
- Bring science and technology to farmers
- Enhance responsible investment and repayment
- Provide farm business incubation opportunity

From a conceptual standpoint, the creation of “RNR EH”, represents the most effective means to break the cycle in which farmers have marketing issues and are constantly subjected to remain subsistence due to lack of hand holding in enterprise development. It can be a game changer in the agriculture development.

6.2. Real time Marketing Apps Development

Producers and vendors, and buyers are constrained by asymmetric market information at present. Farmers are not able to understand the market price, and buyers sometimes tends to take advantage of the information gap, where in the farmers get exploited. It has been known that real time market information is a basic need to empower the actors in the value chain. Therefore, the concept of virtual platform for seller and buyer is to provide the platform where in both seller (farmers/producers) and buyers can exchange the information on real-time basis with use of simple Mobile Apps.

The other important objective is also to collect series of data from around the country on marketing which could become the basis for policy decisions, market interventions etc. This data aggregation

system can be linked with an information-collection application that is loaded on mobile phones of both DAMC personnel and local representatives. Such an app is easy to customize and user-friendly for collecting and transmitting real time data to central coordination nodes that could identify demand (perhaps even matching wholesale buyers) arrange logistics, prepare documentation, and manage payment systems to shorten the cash cycle for farmers.

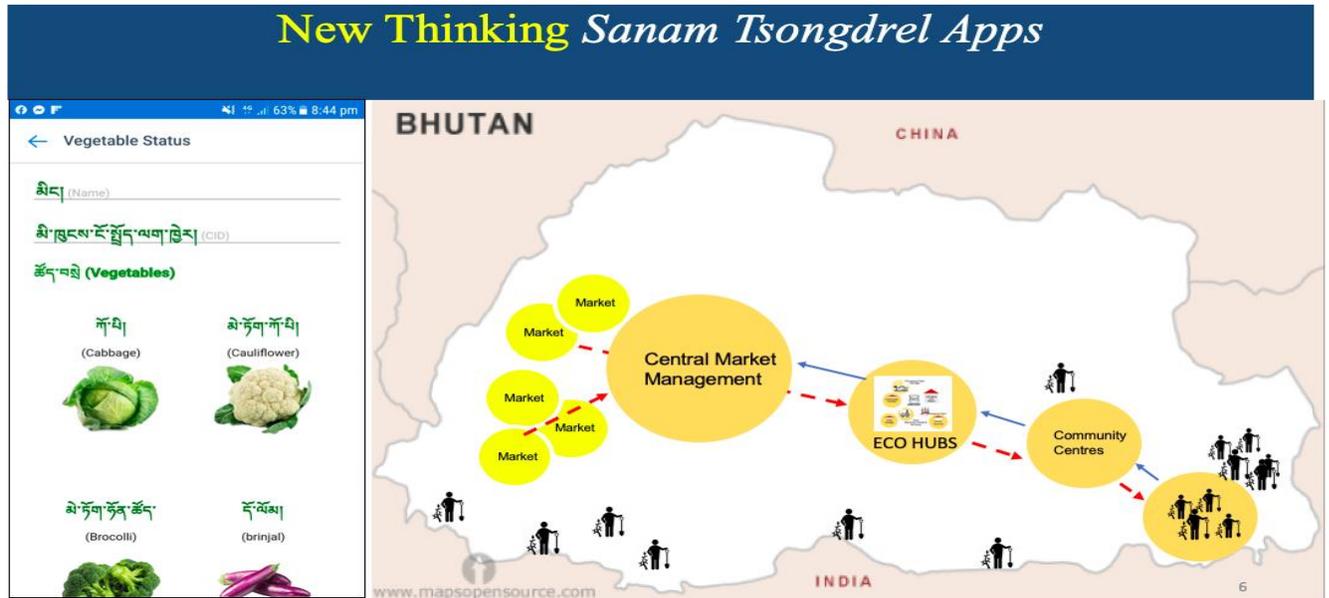


Figure 4: Information flow from farmers to buyers (Source: *Erstwhile RNR EDCU, MoAF*)

In this concept the farmers will be able to send their information for sale of product, quantity, price and quality on the selling platform with minimal difficulty. On the same time the buyers will be able to check the product quality, quantity and price for buying. The platform will then provide the opportunity for negotiation between the seller and buyer.

All data received on the daily basis will be analyzed automatically to feature out, production, prices, by location.

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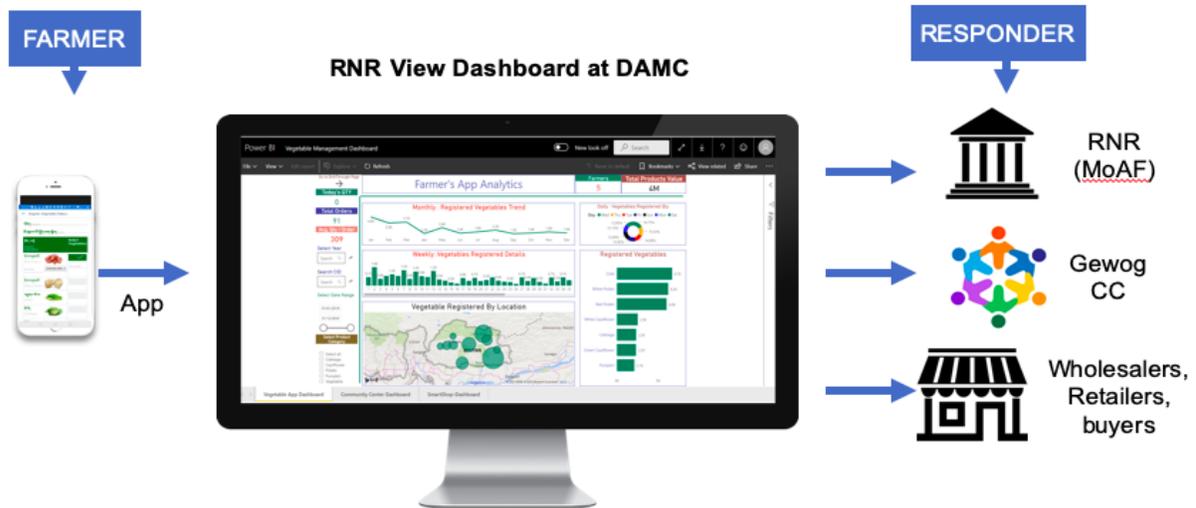


Figure 5: Data flow and decision-making dashboard at DAMC level (Source: Erstwhile RNR EDCU, MoAF)

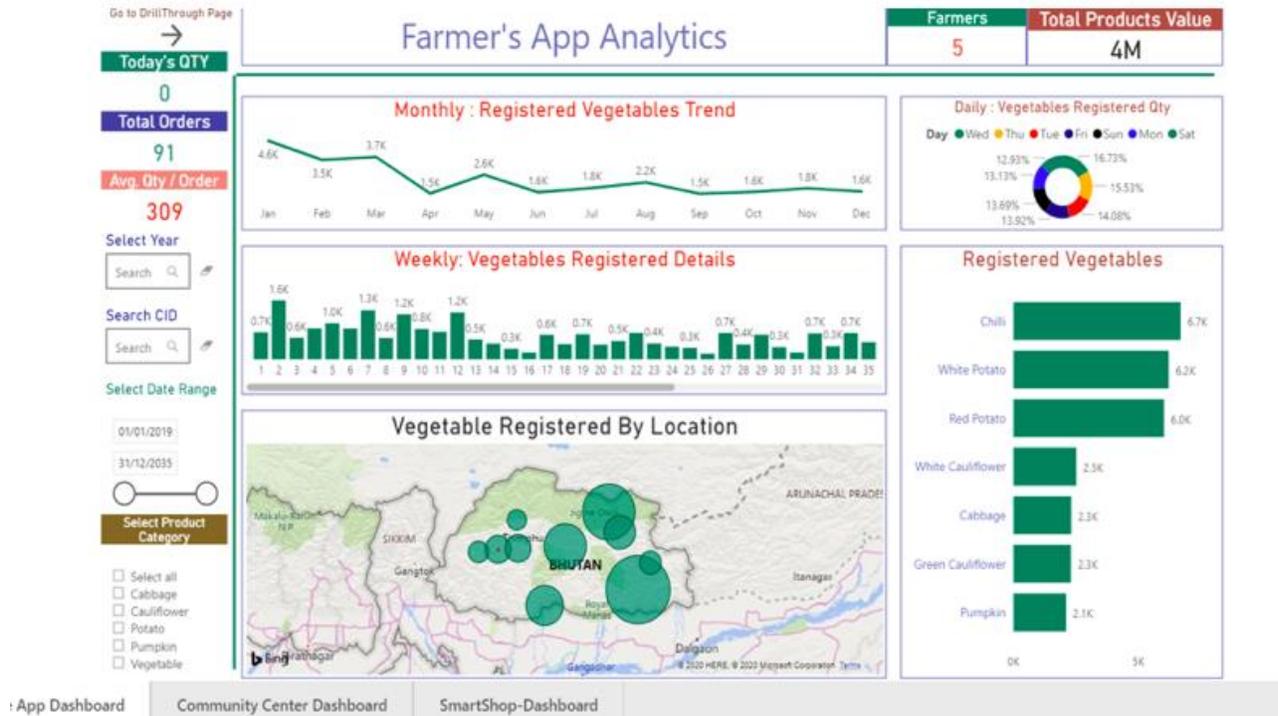


Figure 6: Automatic information analysis on apps to buy and sell Source (Source: Erstwhile RNR EDCU, MoAF)

7. CONCLUSION

The RNR marketing has suffered due to institutional deficiencies, policy gaps, investment shortfalls and market imperfections that have adversely disadvantaged farmers. The marketing of RNR produce domestically has been a challenge mainly due to the ease of access by urban dwellers to cheap imports that are unregulated and conveniently available to urban consumers. Rural households have also become dependent on cheap imports.

Exports of RNR products have suffered from inadequate grading, unethical trading practices, dominance of few traders in purchasing through auction yards and other platforms. This is further exacerbated by the fact that farmers are less coordinated and united when compared to their counterpart vendors/retailers in the urban markets. Lack of marketing infrastructure and downstream processing are some of the most common constraints to efficient marketing. Development efforts to improve farm-level productivity is undermined by poor access to crop aggregation, storage, and processing facilities, leading to severe post-harvest losses and limiting farmer access to more distant domestic and/or international markets.

Poor functioning of farmer groups and cooperatives has discouraged working together with each farmer wanting to sell their produce individually. This has disallowed economies of scale both in production and transportation not to mention a loss of bargaining power. It is worth exploring if Farmer Groups and Cooperatives can become more attractive to total membership if professionalism and business approaches are introduced to overcome the current difficulties due to community history and differences amongst households and villages.

The need for pro-farmer policies and supportive fiscal instruments are urgent. Likewise, the RNR sector enterprise and related off farm employment opportunities need to be enhanced through enabling policies, regulations and institutional arrangements.

Therefore, in order to address the challenges of RNR Marketing, a new development paradigm is required urgently. Besides, addressing the various pertinent issues related to RNR marketing by short to medium term interventions, the establishment of integrated RNR Economic Hubs could bring about positive transformations in the RNR marketing arena.

8. The RNR marketing Review Taskforce

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4. Mrs. Phub Dem, Specialist, Bhutan Agriculture and Food Regulatory Authority (BAFRA), MoAF – ***Member***
5. Mr. Kinley Dorji, Principal Forestry Officer, Department of Forest and Park Services (DoFPS), MoAF – ***Member***
6. Mr. Tshewang Tashi, Deputy Chief Planning Officer, Policy & Planning Division (PPD), MoAF – ***Member***
7. Mr. Jamyang Lophyal, Deputy Chief Marketing Officer, DAMC, MoAF – ***Coordinator and Member***