

**RNR MARKETING POLICY  
OF  
THE KINGDOM OF BHUTAN, 2017**



**ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF AGRICULTURE AND FORESTS**

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## ACRONYMS

DAMC	Department of Agricultural Marketing and Cooperatives
DoA	Department of Agriculture
DoFPS	Department of Forests and Park Services
DoL	Department of Livestock
EDP	Economic Development Policy 2016
FYP	Five-Year Plan
GI	Geographical Indication
GNH	Gross National Happiness
LFS	Labour Force Survey
MAPs	Medicinal and Aromatic Plants
MoAF	Ministry of Agriculture and Forests
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MT	Metric Tonne
NAS	National Accounts Statistics
NGO	Non-Government Organization
NTFP	Non-Timber Forests Products
OGOP	One Gewog One Product
RGoB	Royal Government of Bhutan
RNR	Renewable Natural Resource
RNR MP	Renewable Natural Resources Marketing Policy

## 1. Introduction

The renewable natural resources (RNR) sector in Bhutan comprises agriculture, livestock, and forestry. RNR is a primary sector and provides employment and livelihoods for 58% of Bhutan's population (LFS 2015). In 2015, it contributed 16.67% of Gross Domestic Product (GDP). Agriculture (Crops) sector was the main driver of the primary sector's growth, which contributed 2.82 percentage points. Livestock and Forestry contributed 0.96 and 0.78 respectively to the primary sector's growth (NAS, 2016). Agriculture and livestock, supplemented by collection and utilization of non-timber forest products (NTFPs), dominate livelihood, employment, and income in the farming community. Thus, the RNR sector has an important role to play in achieving the national objective of food security and self-reliance through inclusive green socioeconomic development. Only 2.93% is cultivated at any given time. Of this 2.93%, only 0.83% is wetland.

According to RNR Statistics 2016, Bhutan's two main cereal crops are paddy and maize the production of which is 83,332MT and 82,035MT respectively. The other cereals are buckwheat, wheat, barley, and millet. Most cereals are consumed domestically, but domestic production is insufficient and Bhutan imports sizeable amounts of rice 72,306 MT and wheat 12898 MT to supplement domestic production. Bhutan also produces fruit such as apples (6587MT), mandarin oranges (42,700MT), and arecanut (9467 MT) and vegetables, especially chilli (9,907MT) and potato (58,820 MT). Overall, Bhutan is a net exporter of fruit, mainly to India and Bangladesh. Annual export amounts to 19,495MT (3790MT apples, 15,546MT mandarin oranges, and 159MT arecanut) against 2802 MT import.

Bhutan's main livestock products are dairy (milk, butter, and cheese), eggs, meat (beef, pork, yak, chicken, and mutton), fish, and wool. Apart from eggs, Bhutan is a net importer of other livestock products indicating substantial domestic demand that needs to be met.

The main NTFPs produced are mushrooms, cordyceps, and medicinal and aromatic plants (MAPs). Bhutan is essentially a net exporter of these products, with 4MT, 1MT, and 1.5 MT exported respectively (RNR Statistics, 2016).

A Vision for Peace, Prosperity and Happiness (Bhutan 2020) and the Economic Development Policy of Bhutan (2016) recognize the RNR sector as the backbone and one of the five jewels for socioeconomic development in the country. The emphasis

is deepened by the role RNR can play in economic growth, poverty reduction, and import substitution as well as its potential to narrow the trade deficit.

Unlike in the past when the RNR sector was simply production oriented and the roles and functions of marketing were relatively insignificant, the RNR marketing policy (RNR MP) strives to integrate market-led strategies with public policy to enhance rural livelihoods and poverty alleviation.

The RNR marketing policy covers those areas where the state assumes primary responsibility for providing support to enable smallholder crop, livestock, and NTFP producers to commercialize their production and add value to their primary products. This document spells out the key policy interventions and instruments to be applied by the Royal Government in the marketing of RNR products.

## **2. Rationale**

Bhutanese RNR marketing is characterized by market fragmentation and inefficiency leading to a mismatch between supply and demand. At the same time, the growth pattern and changes in the domestic economy underline the need for the RNR sector to become more competitive. The main reasons for preparing this RNR marketing policy are to:

- Enhance Bhutan's ability to utilize its seasonal and agro-climatic comparative advantages in agriculture in general and in some niche RNR products in particular.
- Enable RNR sector to play an important role as an engine of growth and development.
- Stimulate growth and employment opportunities in the rural sector which will slow down the rural-urban migration phenomenon.
- Augment the important and efficient role played by women in agricultural marketing
- Enable smallholder farmers to contribute to household and national food security, social stability, and harmony.
- Transform from a primarily subsistence to a commercial and market orientated farming, leading to transformational growth and improvements in the rural economy in particular and the national economy in general.

### **3. Policy Context and Guiding Principles**

There are many policy and legislative frameworks that influence the way in which this RNR marketing policy has been formulated and the way in which it will be implemented.

The RNR Marketing Policy is guided by the following documents, plans and policies;

- Constitution of the Kingdom of Bhutan and the Development Philosophy of Gross National Happiness (GNH).
- The National Five-Year Plans and Economic Development Policy (EDP 2016)
- Policies and legal frameworks of the MoAF
- Policies and legal frameworks from other Royal Government of Bhutan (RGoB) sectors
- Cross-cutting issues such as gender, youth, environment and climate change are also covered under this policy

#### **Overall guiding principles for RNR marketing**

The overall guiding principles for RNR marketing policy (RNR-MP) are as follows:

- Government interventions shall be limited to the creation of enabling market environment and correction of market failures to enable Bhutanese farmers and private sector to reap the maximum benefits from the RNR sector, in a sustainable manner.
- The role of the government is to act as a facilitator and enabler in the marketing system rather than as a direct actor; and ensure support towards strengthening service structures, the market environment, and market mechanisms
- Government interventions shall as much as possible give preference to targeted non market instrument over direct price interventions.
- The RNR-MP shall forge partnerships between government and international non-government organizations (NGOs), the private sector, cooperatives, producer and marketing groups, and individual producers and marketers.
- Where feasible, the government shall promote procurement and consumption of locally grown and value added products i.e “Buy Bhutan preference principle”

### **4. Vision, Mission and Goals**

#### **Vision**

A competitive and efficient marketing system for RNR products within the framework of GNH.

## **Mission**

- Develop RNR marketing systems to stimulate commercial production in consonance with the domestic, regional, and global market dynamics.
- Create conducive environments to promote equal participation and access by all players across the RNR value chain to increase exports and substitute imports
- Enhance Competitiveness of RNR products and promote growth of an entrepreneurial culture in agribusiness.
- Create and support markets and marketing of commodities that are important components of the food security basket.
- Promote a whole value chain approach to ensure commercialization, specialization, and profitability of operations.

## **Goals**

The goals of RNR MP are to:

- Creating enabling RNR marketing environment by addressing legislative and regulatory challenges, and encourage greater private sector involvement and investment in the RNR sector.
- Enhance the livelihoods of all actors across the value chains by adopting international good practice in risk management strategies that focus on long-term RNR development to generate gainful employment and equitable distribution of income, and ensure balanced regional development;
- Promote the development of RNR products by enhancing the necessary infrastructural and human capacity, ensuring access to finance, and strengthening markets and marketing information; and
- Promote RNR commodity marketing to add value to RNR products, taking into account other social, economic, and political factors and mainstreaming gender and environmental components.

## **5. Policy Objectives and Statements**

The overall policy objective is to enhance the competitiveness, efficiency, and effectiveness of the RNR marketing system; to provide improved market access for smallholder farmers, and cottage, small, and medium industry; to provide better quality products to the consumer at a reasonable price; and contribute towards local and national economic development.

The RNR-MP comprises six strategic objectives consistent both with the challenges facing the country and with international good marketing practice:

- Policy objective 5.1: Strengthen the policy environment and institutional framework
- Policy objective 5.2: Enhance RNR product value addition
- Policy objective 5.3: Strengthen RNR marketing infrastructure
- Policy objective 5.4: Enhance access to RNR marketing finance
- Policy objective 5.5: Enhance RNR commodity marketing
- Policy objective 5.6: Strengthen RNR marketing information and risk management

### **Policy objective 5.1: Strengthen the policy environment and institutional framework**

The process of globalization and trade liberalization is constantly changing the roles and functions of public and private actors. As a developing country with limited technological and economic capability, Bhutan could benefit from these global phenomena by strengthening its limited legislative, macroeconomic, and trading environment. However, these instruments need to be harmonized with the different sectors to ensure fair play among the actors in the value chain and business service providers and to **promote** consumers' confidence.

The policy objective is to strengthen the policy environment and institutional framework to enhance responsible competition and sustainable business acumen, ensure easy entry and exit in businesses, and smoothen trading difficulties.

#### **The relevant Ministries/Agencies Shall:**

- 5.1.1. Develop a Strategy Paper for the development of RNR marketing sector based on the RNR Marketing Policy.
- 5.1.2. Review the strengths and weaknesses of the DAMC as an organization in its capacity to deliver effective public service and accordingly re-organise and strengthen the human capital to implement the RNR-MP, Strategy and Action Plan.
- 5.1.3. Review the roles of the various state actors (DAMC, FCBL, BLDCL, BAIL etc.) to enhance coordination among themselves and with the private sector thereby strengthening the RNR marketing system.

- 5.1.4. Establish and maintain a system to provide policy guidance to government through studies and research on market dynamics and pricing policies and practices on a regular basis.

### **Policy objective 5.2: Enhance RNR product value addition**

As in many developing countries, Bhutan produces a wide variety of RNR products, but the country has yet to maximize the economic benefits that it can derive from marketing RNR commodities. This is partly due to inadequate knowledge of appropriate value-adding technologies, coupled with poor infrastructural facilities and the absence of coherent policy support. The result is that the Bhutanese private sector in general and RNR products in particular, for the most part fail to spark an interest in innovative farming and agri-food processing.

Value addition entails upgrading of functions, processes, and products. This value-addition ladder generates employment at successive stages – a critical necessity given the burgeoning youth population and shrinking absorptive capacity in other sectors.

The policy objective is to build capacity and encourage the adoption of processing technologies and practices that reduce post-harvest losses.

### **The relevant Ministries/Agencies Shall:**

- 5.2.1. Support post-harvest storage, processing, and value addition.
- 5.2.2. Institute special programmes to encourage the private sector in RNR processing, and empower women and youth for increased participation in RNR marketing.
- 5.2.3. Support investment for research and development into RNR product processing.
- 5.2.4. Support harmonization and improvement of quality standards, and grading in collaboration with stakeholders based on market information and research.
- 5.2.5. Support capacity building for aspiring youth in selected value chains as a part of on-the-job training arrangements.
- 5.2.6. Provide product certification and accreditation services as per international quality, safety, and sanitary and phyto-sanitary (SPS) norms for RNR products.
- 5.2.7. Facilitate establishment of mutual recognition of quality certification and sanitary and phytosanitary standards between Bhutan and its trading partners
- 5.2.8. Ensure that the policy and legal framework for environmental conservation and management is implemented by all stakeholders.

5.2.9. Where applicable, mandate the SOEs to facilitate and lead the growth of the value chain to bring innovation and efficiency.

### **Policy objective 5.3: Strengthen RNR marketing infrastructure**

Marketing infrastructure –especially roads, water supply, transportation, processing facilities, communications, electricity, and markets for crops, livestock, and fish – is critical in stimulating increased RNR production, marketing, and income generation. However, rural infrastructure in Bhutan is still inadequate to cater to RNR marketing effectively and efficiently. For example, the poor road network in the country is a major stumbling block which hinders farmers' access to markets, increases the time and cost of transport, and often results in quality deterioration of products. Basic marketing infrastructure is one of the key requirements for better RNR marketing and would help boost and diversify production.

At the same time, even areas that do have basic marketing amenities generally still suffer from a serious lack of storage facilities, poor linkages with processing and production chains, poor market-orientation, and inadequate processing facilities –all of which lead to high levels of postharvest losses. Further, RNR marketing is weakened by inadequate communication facilities in relation to market information, which adds to price uncertainty.

The policy objective is to strengthen RNR marketing infrastructure and institutions, promote an entrepreneurial culture, establish marketing structures, and enhance awareness among farmers and stakeholders.

#### **The relevant Ministries/Agencies Shall:**

- 5.3.1. Develop guidelines for construction and utilization modalities of government-owned market infrastructures.
- 5.3.2. Strengthen market infrastructure to address the overall need.
- 5.3.3. Develop strategic RNR marketing infrastructure such as farm shops, collection depots/centres, local market outlets, Sunday market facilities, and cold stores.
- 5.3.4. Provide support for dedicated sales outlets for promising new products in potential markets.
- 5.3.5. Provide support to the private sector and communities to build, operate, and maintain RNR marketing infrastructure.

### **Policy objective 5.4: Enhance access to RNR marketing finance**

Credit facilities provide the backbone for economic growth in a country. However, Bhutan has only one development bank and access to agricultural finance is limited. Even those who deal with rural credit have limited outreach in rural areas. Further, farmers generally do not have acceptable bankable assets to pledge as collateral to financial institutions. Smallholder farmers can pledge land as collateral, but the amount available is limited as rural land has a low value. Low financial literacy among farmers also tends to increase the dependence on borrowing from relatives, friends, and informal money lenders, often at exorbitant interest rates.

The policy objective is to ensure access to agricultural finance, impart financial literacy and understanding of the risks related to finance among farmers and producers, encourage financial institutions to introduce micro-finance and enterprise financing schemes in the RNR sector, and boost private investment in RNR products in the country.

### **The relevant Ministries/Agencies Shall:**

- 5.4.1 Promote and support the establishment of institutions and facilities for financing RNR trade and marketing.
- 5.4.2 Encourage private and foreign direct investment in the RNR sector.
- 5.4.3 Provide financial risk management tools in RNR marketing.
- 5.4.4 Support and strengthen grassroots business development services to support rural RNR entrepreneurial activities.
- 5.4.5 Support micro-finance schemes with easy access for beneficiaries/clients.
- 5.4.6 Encourage project based financing for projects requiring large investment such as commercial farming and agro processing in collaboration with the financial institutes (FI)

### **Policy objective 5.5: Enhance RNR commodity marketing**

The commodity markets are highly competitive because there are many buyers and sellers of the same basic commodity. Prices at different market locations vary depending on transportation costs and seasonal differences.

Commodity marketing decisions are affected by decisions on timing. Farmers can sell their commodities through private contracts or futures markets and attempt to obtain a price higher than the market price at the time of delivery, or they can store commodities for later sale, with the expectation that market prices will rise more than their costs of storage.

The policy objective is to improve the quality and standard of products; save energy, resources and time; establish efficient bargaining and negotiation skills; and promote traditional and cultural food consumption.

**The relevant Ministries/Agencies Shall:**

- 5.5.1. Develop strategies to promote RNR commodity marketing at a local, national, and international level.
- 5.5.2. Facilitate marketing of RNR products for local consumption and international markets.
- 5.5.3. Promote consumption of traditional crops and livestock products through various strategies such as OneGewog One Product (OGOP) and Geographical Indication (GI).
- 5.5.4. Promote RNR enterprises and devise various other schemes to enhance marketing of commodities/products of farmers, groups and cooperatives and RNR-based cottage and small industries (CSI).
- 5.5.5. Encourage government institutions, SOEs and private industries to procure and consume locally grown RNR produce and value added products.
- 5.5.6. Formulate and implement pricing guidelines for buy back mechanisms and for compensation where necessary, in the event of market failure, through task force bodies.
- 5.5.7. Monitor food production, availability, and consumption patterns at the regional and dzongkhag levels; coordinate and liaise with producers, handlers, and sellers to facilitate market-driven movement of RNR commodities from food-surplus to food-deficit areas.
- 5.5.8. Encourage and facilitate local organic food growers/ producers to adopt Made in Bhutan and Grown in Bhutan to export their produce to regional and international markets.
- 5.5.9. Promote private sector involvement, public-private partnerships, and cooperatives to enhance commercialization, market-led production, and marketing.
- 5.5.10. Provide subsidy to promote output based marketing to increase production and productivity, while playing a role in price stabilization
- 5.5.11. Ensure regular and consistent supply of RNR products from small land holders through FGs and Coops by taking advantage of different agro-ecological zones and seasonal potential across the country

## **Policy objective 5.6: Strengthen RNR marketing information and risk management**

Information, uncertainty, and risk are quintessential features in the RNR sector. The sources are numerous and diverse; ranging from events related to climate and weather conditions, diseases, natural disasters, price changes in products, fertilizers, and other inputs, financial uncertainties, market risks, policies and regulatory risks.

Lack of market information on the price, supply and demand situation, market forecasts and market outlets are some issues that need to be addressed over time. Agricultural risks are problematic as they are interlinked. A system is needed to manage risk which includes all available instruments, holistic strategies, and policies.

The policy objective is to strengthen RNR marketing information, provide information related to markets and marketing, and develop risk management strategies to create an enabling RNR marketing environment.

### **The relevant Ministries/Agencies Shall:**

- 5.6.1. Strengthen the market information system (MIS) at national and regional level through the use of information and communications technology (ICT) by involving the private sector.
- 5.6.2. Promote risk management capacity in value chains by identifying, promoting, and developing market and non-market risk management strategies in RNR marketing

## **6. Implementation Mechanism**

The MoAF has the mandate to facilitate and promote the marketing of RNR products, while the overall trading mandate lies with the Ministry of Economic Affairs (MoEA), and tariffs with the Ministry of Finance (MoF). Thus, RNR marketing is multi-dimensional and issues related to RNR marketing need to be based on a coordinated and harmonized approach involving all the sectors concerned.

As the custodian agency, MoAF shall

- Institute the formation of a Multi-Sectoral Committee with the Minister/Secretary, MoAF as the Chair. Members will be from the Department of Livestock (DoL), Department of Agriculture (DoA), Department of Forests and Park Services (DoFPS), Bhutan Agriculture and Food Regulatory Authority (BAFRA),

MoEA, MoF, Bhutan Chamber of Commerce and Industry (BCCI), Bhutan Exporters Association (BEA), Food Corporation of Bhutan (FCB), Royal Monetary Authority (RMA) and relevant NGOs/CSOs.

- The DAMC shall acts as the secretariat of the Multi-Sectoral Committee and will coordinate the implementation of the RNR-Marketing Policy.
- Develop the terms of reference for the Multi-Sectoral Committee.

## **7. MONITORING & EVALUATION**

The RNR-Marketing Policy consist of a supporting parallel document with Implementation/Action plans to exercise the Policy Principles. Further for monitoring and evaluation,

7.1 MoAF in collaboration with lead agencies and stakeholders shall monitor the action plans and its indicators of the policy on periodic basis.

7.2 GNHC shall evaluate the implementation of the policy in line with the policy formulation protocol.

7.3 MoAF shall review the policy when required

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