



# Bio Bhutan: Annual Report 2005

“Your provider of Natural & Organic products from Bhutan”



#### Corrigendum

1. Page 2, second column, paragraph 3: (*Piper pedicellatum*)
2. Page 8: Caption for picture reads: *Cordyceps sinensis* or “summer grass winter worm”

*We are looking back to the first six months of successful operations in 2005. With the help of Helvetas/SDC in Bhutan and Switzerland, the farmer groups in Central and Eastern Bhutan, our suppliers of packaging material and processing equipment in Asia and Europe, and our valued customers in Bhutan and many countries around the world, we can proudly say that Bio Bhutan has made a place for itself in the private sector of Bhutan.*

*It was our aim to prove that Bhutan can make sustained and economic use of the vast resources of the Kingdom which will benefit rural communities as well as customers and also generate employment and income.*

*Six months are certainly not a long time for a small company, but it is a start into a hopefully bright future. We hope for your continuous support and wish you a very happy and successful year 2006*

*Your Bio Bhutan Team.*

## 1. Overview

Bio Bhutan is the first enterprise in Bhutan seeking to introduce organic certification of products deriving from the vast resources of the Kingdom's natural wealth. Main goals are to contribute to the sustainable use of natural resources; improve income and employment opportunities of rural communities and private entrepreneurs and create surplus value for final consumers through healthy and tasteful organic produces.

The enterprise focuses on the identification of suitable raw materials for the manufacture of natural and organic certified products, product development and marketing. The company will not be involved in the production, but functions as a service provider to producers, processors and customers in Bhutan and abroad.

The company acts as a mediator between producer groups of natural products and already existing processors such as:

- The Milk Processing Unit in Gogona in Western Bhutan which has been initiated and supported by the Department of Livestock of the Ministry of Agriculture in Bhutan, the German Technical Cooperation

(GTZ), the German Embassy in New Delhi and Helvetas/SDC.

- The lemon grass oil distiller group in Dozam under Mongar District established with support from the Essential Oil Programme of the Ministry of Trade & Industries in Bhutan.

- Management Groups of pipla (PPoperiper pedicellatum) in Nangkhor, Zhemgang District established with support from the Participatory Forestry Management Project of the Social Forestry Department, Ministry of Agriculture and the Dzongkhag Forestry Section of Zhemgang Dzongkhag.

### Certification of organic produces

is a new venture in Bhutan. Though organic production has been initiated and Government Policies for organic agriculture are being developed, foreign expertise from recognized certification agencies will be required until expertise will be available within the country. Bio Bhutan has well established links with BioInspecta (Switzerland) and its partner organization INDOCERT (based in Kerala/India). Accredited by the EU, INDOCERT follows EU Standards and Regulations for organic products. Certification of Bhutanese products by INDOCERT/Bio Inspecta will

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*Gogona Cheese, Dried Yak meat and Cordyceps*

open access for organic products from Bhutan in Europe. The first inspection of production areas for Bio Bhutan products took place in October 2005

**The Bio Bhutan Logo** was launched in February 2005 by the Secretary General of Helvetas Mr. Werner Kuelling.

**Marketing** links are established to Bio Bhutan customers in USA, Singapore, India, France, Germany, Luxury Hotels and Shops in Bhutan.

**Advertisement** campaigns are launched through TV cable operators, bootan-online and hand-outs to customers.

**Education and Awareness Programs** are an important feature of our operations. Rural communities are trained by the Bio Bhutan Management and external consultants in sustainable harvesting techniques, certification requirements and quality measures.

#### **Membership with International**

**Organizations/Participation in International Events:** Bio Bhutan is a member of the 'Indian Competence Centre for Organic Agriculture' (ICCOA). The Bio Bhutan Management has participated in high level seminars on organic production & marketing in India, China and Japan.

**Organizational Structure:** Bio Bhutan is steered by a Board of Directors representing the Funding Agency Helvetas/SDC, the Swiss Bhutan Society and its sister organization: The Swiss Bhutan Friendship Association, the Non-Governmental and the Private Sector in Bhutan.

**Funding:** Bio Bhutan has received a loan of Nu. **5,669,993** (Ngultrum Five Million Six Hundred and Sixty Nine Thousand Nine Hundred Ninety Three only) from Helvetas/SDC to be repaid over a period of six years. Additional support has been received from the German Technical Cooperation (GTZ) and Helvetas/SDC for the initiation of the certification program.



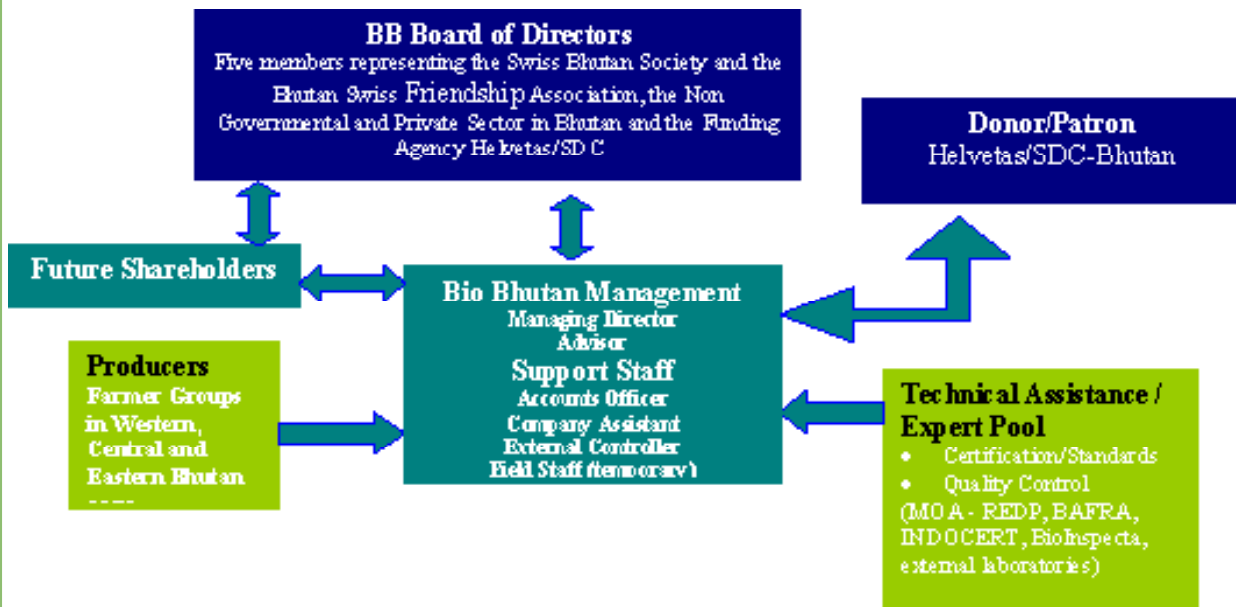
*Discussions on organic Lemon grass oil, carrying the first harvest of Lemon grass oil to the EODP (Essential Oils Development Project collection center) and farmers sorting pictures representing organic and conventional practices*

## 2. Organization & Management of Bio Bhutan

### The Management

The team of Karma Yangzom (MSc.) and Irmela Krug (Dr. agr.) assembles qualifications in Environmental Management and Natural Resource Management along with many years of experiences in rural enterprise development and organic production. Both ladies have worked for Government Organizations in Bhutan: the Ministry of Agriculture, Ministry of Health, Ministry of Trade and Industries, Ministry of Works and Human Settlements and bi-lateral and International Organizations including UNDP, World Bank, Asian Development Bank, European Commission (EC), Helvetas & Swiss Development Cooperation (SDC), German Development Cooperation (GTZ), United Kingdom Government's Department for International Development (DFID), Netherlands Development Organization (SNV).

The management is supported by an Accounts Officer - Mr. Kencho Tshering, an Assistant – Mr. Yangka Dawa, Mr. Bhuwan Thapa – Finance Manager (part time) and other field staff employed on a temporary basis for the manufacture of specific products.



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*Relaxing after a steep climb, lunch break for the Bio Bhutan team and farmers improvising wooden stoppers for jerry can of lemon grass oil*

### 3. *Bio Bhutan Products – Season of 2005 - 2006*

The first group of Bio Bhutan Products are:

- Sha Gogona Cheese
- Lemon grass oil
- Cordyceps sinensis
- Yak meat

#### *Sha Gogona Cheese*

Gogona Community under Wangdue Phodrang District is a few hours walk away from the famous Black Necked Crane valley Phobjikha. Nestled in rhododendron and pine wood forest the valley is known for its beautiful monastery. Monks from Gogona are called for religious ceremonies around Bhutan. Due to a rather cold and harsh climate, agricultural activities are limited to subsistence farming. Livestock rearing and dairy production has become the major worldly activity for the 33 household community. Cheese production began around 20 years ago with Swiss assistance and has been revived through the efforts of the Department of Livestock of the Ministry of Agriculture, the German Technical Cooperation and Grants from

the Embassy of the Federal Republic of Germany since 2004. Today, all the households of Gogona deliver milk to the community run processing unit. The unit produces an average of 400 kg of Cheese per month.

In August 2005, the Department of Livestock under the Ministry of Agriculture and the Bhutan-German Sustainable Renewable Natural Resources Development Project in Lobesa (GTZ) requested **Bio Bhutan** to take over the marketing of the Sha Gogona cheese in order to enhance market opportunities for the community and to investigate chances of organic certification of the cheese.



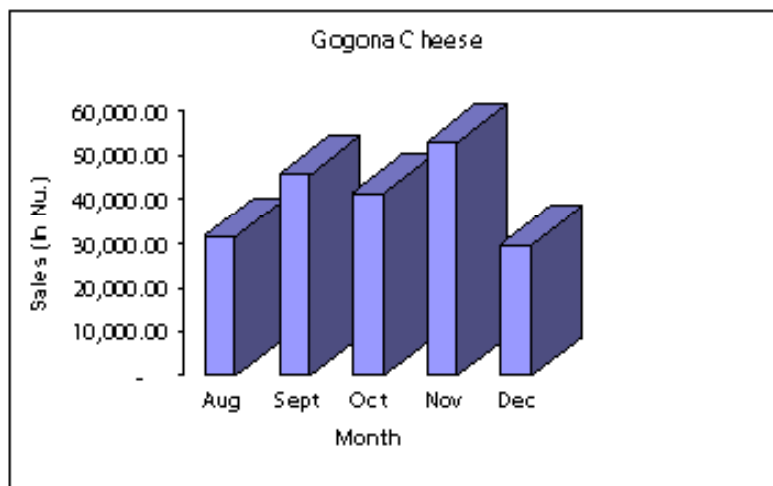
*Milk delivery and Cheese processing*

In October 2005, the first ever inspection of the management area and the milk processing facilities was carried out. Upon invitation by Bio Bhutan, INDOCERT visited Gogona.

The reports indicate a very high probability of obtaining the organic certificate after a two year period of conversion in 2007.

Over the initial period of five months, Bio Bhutan has been able to increase the number of customers of Sha Gogona Cheese in Bhutan and has also started looking into prospects of export markets particularly in New Delhi, India. Over the initial period of five months the turn over from the Sha Gogona Cheese has reached over Nu. 200,000.00.

With continuing co-ordination among various stakeholders – Department of Livestock, Ministry of Agriculture, the Dzongkhag Animal Husbandry Section, Community Representatives, Helvetas – we hope to contribute to further improvement of the quality of the cheese, diversification of the cheese varieties produced in Gogona, production of safer and more appealing packaging and continuation of the organic certification process. It is our aim to refine the market outlets towards customers with high consciousness of good quality and organic products.



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*Milk processing unit (built in the early 70's), cheese processing at the Gogona MPU (Milk Processing Unit) and Sha Gogona valley*

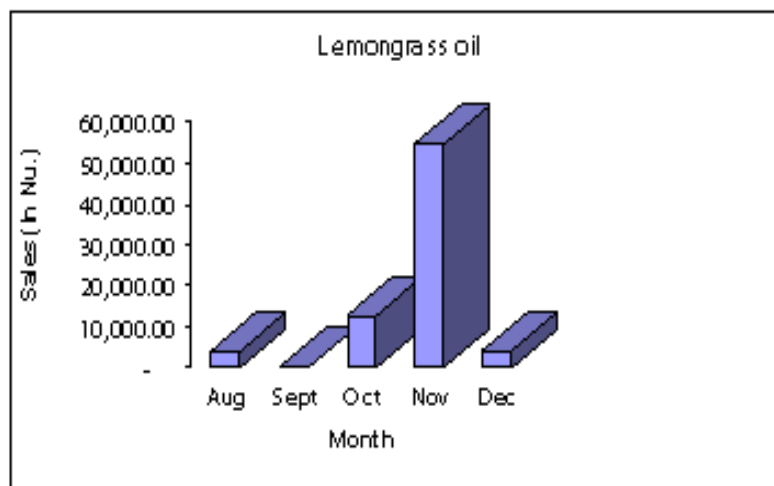
## *Lemon grass oil*

The history of the five distillers in Dozam under Dramitse/Mongar in Eastern Bhutan dates back to the year 1996 when the Department of Forestry supported the establishment of the Dozam Community Forest Management Group.

Though the original intention of forming the group was to manage and use the surrounding forest resources on a sustainable basis, today the structure and organization of the group forms the base for the organic certification of the lemon grass oil collected from the premises of the area. All required documents for organic certification such as maps of the area, management plan, training material used etc. are in place.

The oil is of excellent quality with a minimum citral content of 75%. The purity of the oil, its colour and scent has impressed our customers in Bhutan, Singapore, Germany and the UK.

Future collaboration with Bio Bhutan will focus on the further improvement of the oil quality and the improvement of the distillation equipment towards energy saving devices in order to reduce the consumption of fire wood.

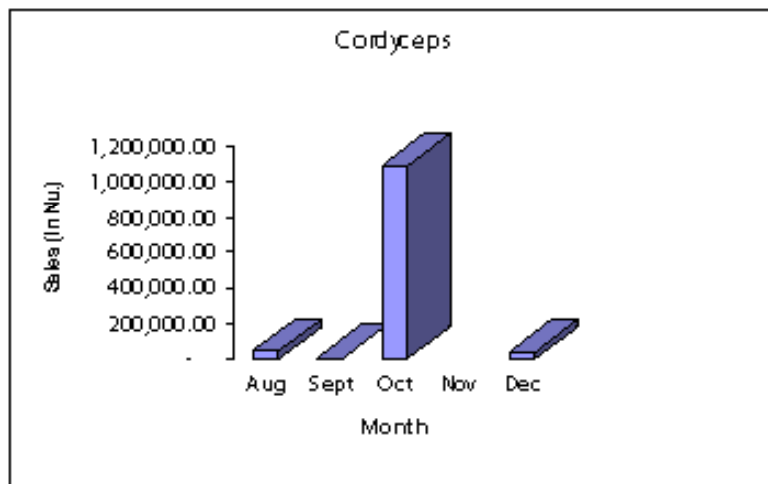


*Collection of firewood, Lemon Grass, and inspection*

## Cordyceps

Since 2004 yak herders of the high altitude settlements in Bhutan have been legally allowed to collect Cordyceps and sell the product through officially organized auctions within Bhutan. Several dealers and business people have been purchasing the product for further sale to neighboring countries. Bio Bhutan participated in two auctions and purchased a total of 23.38 kg worth Nu. 1.7 Mio (US \$ 38,000.00).

Of the total volume, 12.5 kg of Grade A quality Cordyceps were sold to customers in the US and Asia at an average rate of Nu. 84,000 (US \$ 1880.00) per kilogram. The remaining stock is kept for a trial production of Cordyceps capsules in joint venture with an Indian Firm.



*Cordyceps sinensis* or 'winter grass summer worm':

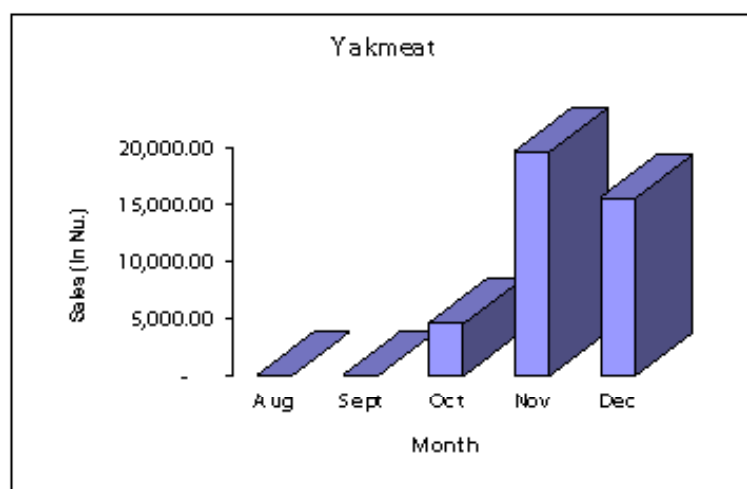
*A rare combination of a caterpillar larvae and a fungus found in extreme altitudes of the Himalayan*



## Yak Meat

Yak meat is one of the most desired delicacies of the Bhutanese Cuisine. Usually air dried, yak meat is used for a large variety of curries, but also consumed uncooked as a snack. Bio Bhutan initiated trial production of seasoned and dried yak jerkies under strict hygienic conditions through the use of electric dehydrators. During the 2005 yak meat season which began in October, 242 kgs of meat was processed with a total turn over of Nu. 40,000.

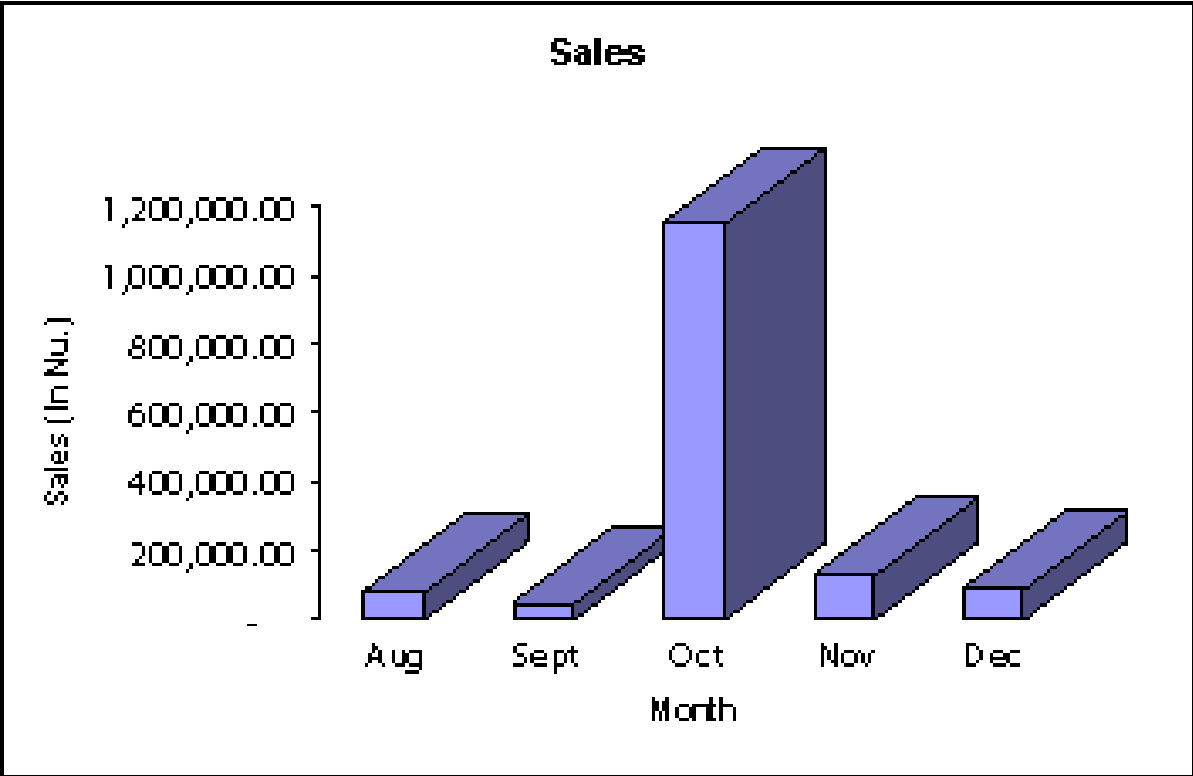
Bio Bhutan intends to seek collaboration with the Department of Livestock for a broader participation of the yak rearing communities in Bhutan. We anticipate the production of a variety of yak meat products including jerkies but also Buendner Fleisch, Sausages etc. in the high altitude communities itself. Similar to the example of the Sha Gogona Cheese, Bio Bhutan sees its role as a facilitator for technical advice and marketing.



*Yak meat is considered a true Bhutanese speciality. The fresh meat is only available during the winter season. For storage purposes, the meat is cut in thin strips and air dried. Bio Bhutan is looking into product diversification and improved processing methods in order to cater to a growing market of Bhutanese and foreign customers of this exclusive meat.*



*Total Sales for the year 2005*



## *Bio Bhutan Events*

- Inauguration of Logo: February 2005*
- Bio Bhutan obtains business license: June 2005*
- Participation in the International Symposium on Pro-poor Certification Systems for Green and Organic produce, China: June 2005*
- Training of farmers on methods of producing organic lemon grass oil, Dozam, Mongar: July 2005*
- Bio Bhutan Team participates in the Cordyceps auction in Lunana: July 2005*
- Received Loan from Helvetas/SDC: July 2005*
- Training of farmers on organic practices for collecting Pipla, Nangkor, Zhemgang: August 2005*
- Bio Bhutan takes over marketing of Gogona cheese: August 2005*
- Formation of Board of Directors: August 2005*
- First Product exported: August 2005*
- Inspection for Organic Certification of three products carried out: October 2005*
- Participation in ADBI workshop on Organic Agriculture, Poverty Reduction and MDG's, Japan: November 2005*



# BIO BHUTAN

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