





„Bio Label“ Bhutan

How to create added value for farmers, consumers and the nature in Bhutan. Feasibility study and definition of a pilot project for establishing a Label on Organic Farming.

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Abbreviations

- OF Organic Farming
- MoA Ministry of Agriculture
- PFMP Participatory Forestry Management Project
- REDP Rural Enterprise Development Programme
- BLBP Bio Label Bhutan Project
- SSB Society Switzerland Bhutan
- BSFA Bhutan Swiss Friendship Association

General Remarks

Presently, there are many ongoing activities regarding organic farming in Bhutan. For example setting a national standard along with agricultural legislation (lead: MoA), farmers who are willing to react on market demands for organic agricultural produce (e.g. red rice, mushroom) or establishing a national certification agency (BAFRA or private organisation). Yet, these activities are - because of complexity and recent programme initiative – still in a conceptual and preparatory phase.

Goals

The goal of BLBP activities is to gather relevant information on organic farming, certification procedures and marketing, to outline the political and economical environment influencing OF (feasibility) and to identify potential organic produce to start a pilot project including production and processing, certification, training and marketing (labelling) in local and regional markets (first hand experience).

- ✓ The feasibility study shall pinpoint how (domestic and/or international markets, when, in what depth), on what terms (minimum, maximum) and with whom (partners) a certified organic label could be established.
- ✓ A pilot project shall verify the results of the feasibility study. The pilot project shall be short (1 year), limited to a few producers/farmers and a few chosen products/or a segment of products, supported by technical expertise and marketing efforts.

Organic farming on the one hand needs the legal framework (standards, regulations) and the adequate organic farming technologies (e.g. sustainable agricultural management) and on the other hand a demand from markets. The authors found that it is the time to **test the market** for organic agricultural produce.

Activities

A team of two local consultants (Dr. Irmela Krug and Karma Yangzom) supported by reflecta and the SSB /BSFA have been working for 7 months on this document. The team attended four workshops on OF in Bhutan as well as in India. A study tour in November 2003 to potential regional players in OF in India and Bangladesh and numerous bilateral meetings with key persons and institutions in Bhutan completes phase one (feasibility study). The next step is to initiate and start operations of the defined pilot project (test the market).

Findings

The BLBP (Bio Label Project Bhutan) promotes the following five products

Five products to start a market test from the **beginning of May 2004 and ending on December 2005 are identified (1.5 years)**. These products have been chosen out of a vast list of potential agricultural products because of fulfilling certain organic requirements and readiness for market testing. Many other potential products are in

the pipeline and could be part of BLBP at a later stage. The aim of BLBP is to support all initiatives by sharing know-how and exchange experiences.

1. **Lemon Grass Oil (additive);** bottled in flasks (for national markets) and containers (for international markets) -> fit for immediate organic certification.

Remarks: Lemon grass oil is already being sold in the international markets through Indian distributors. It will be important to know how a ready-to-certify bulk product can catch up with the market. Farming practices and infrastructure are favouring organic standards.



2. **Piper Longum Capsules (health);** processed in capsules (for national and regional markets) -> fit for organic certification

Remarks: The raw material is auctioned through the government. It is important to know how the local and regional markets react on medical products from the Himalayas. Farming practices and infrastructure are favouring organic standards.



3. **Traditional Herbal Bath (wellness);** processed and filled in flasks (for national, regional and international markets) -> 100% organic

Remarks: The raw material has to be brought by walking. It is important to know how logistics and distribution channels from the producers side can be improved to involve remote areas in the development process. The product will focus on the tourism industry. Farming practices are favouring organic standards.

Ancient wisdom of the Buddhist medical system for balancing of energies, detoxification and rejuvenation: A mixture of five Himalayan Herbs

- Tanacetum nubigenum, the Chrysanthemum of the mountains
- Ephedra gerardiana
- Aromatic Juniperus squamata
- Flowering Rhododendron
- Myricaria rosea

The traditional fermentation process empowers the therapeutic effect of the fresh herbs.

4. **Dried Yak Meat (food);** processed and packed (for national markets) -> 100% organic

Remarks: The raw material has to be brought by walking. It is important to know how logistics and distribution channels from the producers side can be improved and to what extent local culture and practises can be overcome for product and process improvements. The product

will focus on local market and the tourism industry.



5. **Honey (food);** processed and packed (for international markets) -> 100% organic

Remarks: Honey is already available and well established in the local market. It is the aim to promote Honey in the regional and international markets as a pristine and pure product of the Himalayas.

Set-up of a pilot project (Bio Label Project Bhutan BLBP)

To promote and market the identified products a pilot project has to be established, called Bio Label Bhutan Project (BLBP). The project performs the following main tasks:

- ✓ Overall project operations (project management, administration, risk management, controlling, enterprise operations)
- ✓ Product development (mainly the four identified products, product range can be opened during the year of operation)
- ✓ Marketing and communication (product related and public related, awareness campaigns)
- ✓ Buying and selling agent (buy from producer, sell to distributor, processor or consumer)
- ✓ Market research (continuous research activities on possible products)
- ✓ Business planning (continuous verifying of the financial profitability)
- ✓ Distribution and logistics (national, regional and international transportation)
- ✓ Provide technical assistance (certification, lab-services, training)
- ✓ Stake-holder coordination (Ministry of Agriculture, private sector, buyers and sellers)

Vision for Organic Bhutan

Bhutan becomes a recognized player at national as well regional & international organic markets. The Bio Label Project will assist the Government to establish the organic industry.

Marketing Strategy

The vision incorporates strategic thinking in marketing campaigning and implies a time frame for implementation. To make the vision concrete we set the following goals to be achieved:

The short term strategy (one year) is clearly focussing on quick-wins (high-potential products where conditions are favouring organic farming) !

The middle term strategy (within 3 years) shall focus on public opinion in urban areas in Bhutan on the one hand (generate a demand from markets) and on the other hand strengthen the producers side by training and education as well as organizing an organic farming movement which itself shall play a driving force to establish OF in Bhutan.

Message: OF generates surplus value for consumers, producers and environment !

Expectations

The team is fully aware that a one-year market test can not answer all questions on OF nor can it establish a fully functional bio label including policies, standards and procedures. Referring to the experiences abroad it easily takes 10 to 20 years to establish a bio label working according to adequate standards and market demands. Nevertheless, now is the time to have more conclusive answers on what does it need to be organic.

The expectations from the market test are ...

- ✓ to have first-hand experiences in promoting and marketing organic produces (food and non-food)
- ✓ to know the expectations and demands of the market participants (producers, consumers, government bodies etc.)
- ✓ to know the strengths and weaknesses of the production and distribution process (supply chain) for organic produce
- ✓ to have first-hand experiences in real-time operations regarding certification and quality control procedures

Earmarked funds required

Profitability in the first year of operations of such a market test is not possible. The anticipated expenses of the project exceed the net proceeds by about Nu. 7'000'000.- (CHF 200'000.-). This is mainly due to the sensitive market (relatively new to the local and regional market participants) and the innovative and quick approach to get first-hand experiences in dealing with organic produce. Therefore, a one-time funding of the project, limited to one year (April 04-April 05) is needed.

- Technical assistance (know-how in processing, certification, lab-services, R&D, incl. travel expenditures) -> Nu. 2'00'000.- (CHF 57'000.-)
- Infrastructure (equipment, processing units) -> Nu. 1'000'000.- (CHF 29'000.-)
- Marketing and management assistance (know-how in marketing management and entrepreneurship, incl. travel expenditures) -> Nu. 2'000'000.- (CHF 57'000.-)
- Project Set-up (local salaries, wages, office rent, travel expenditures) -> Nu. 2'000'000.- (CHF 57'000.-)
- Available funding from the feasibility study -> Nu. 175'000.- (CHF 5'000.-)

Benefits for the OF movement in Bhutan

- Consolidated knowledge and experience in the field of organic farming and marketing
- Business experience, ideal to start an enterprise

- Creation of employment (four to six employees within project team, numerous others in the field)
- Increased earnings for farmers who participate in the project

Next steps

- Organising a workshop and presenting the out-come of this report to various stake-holders (Ministry of Agriculture, others)
- Preparatory work to start the pilot project beginning of April 2004
- Acquire the necessary funding by March and April 2004

Key success factors

- Quick wins (market participants are willing to deal with BLBP)
- Low market entry barriers (administrative barriers, export regulations, fulfill legal requirements)
- Application of known standards and certification procedures on OF (ex. EURO BIO) since Bhutan has not established its own standards yet.

Purpose of our efforts

As a result of the successful involvement of Coop and reflecta at the Swiss Expo.02, both companies support a feasibility study for establishing a bio label in Bhutan similar to the one called “natura-plan” in Switzerland. The purpose of this venture is to initiate the project by formulating a feasibility study and definition of a pilot project.

- To preserve the natural bases of life (environment, soil, water, air) and to ensure fair and healthy working conditions by securing a sustainable agricultural production oriented on quality and ecology
- To create surplus value for final consumers through healthy and tasteful organic produces
- To generate added value for farmers on both the domestic and the export markets through a clear and credible product differentiation with the help of a recognised certificate for organic products (Organic Label Bhutan).

What is included, content

Our effort in organic farming includes a feasibility study and the definition of a pilot project.

The feasibility study shall pinpoint how (domestic and/or international markets, when, in what depth), on what terms (minimum, maximum) and with whom (partners) a certified organic label could be established.

A pilot project shall verify the results of the feasibility study. The pilot project shall be short (1 year), limited to a few producers/farmers and a few chosen products/or a segment of products, supported by technical expertise and marketing efforts.

The feasibility study answers our questions

- ✓ Quality and depth of the bio label is determined and defined. The certification and labelling process is known.
- ✓ Political, economic, legal and social conditions are clear. The business environment is understood and made transparent
- ✓ Market entry, market participants, potentials to yield a good return and the risks are known
- ✓ A committed umbrella organisation (sponsorship and custodian) for the bio label in Bhutan is forming
- ✓ The standards, the know-how and the certification authority are defined
- ✓ The product segments and possible producers or producer organisations are identified

- ✓ Recommendations regarding distribution, logistics, marketing, financing and administration are presented
- ✓ The training is defined and a possible education centre identified
- ✓ A clear vision including a 3-year business outline for the implementation based on a strategy formulation are worked out.
- ✓ The organisation and the start of the pilot project 2004 is defined and ready for kick-off

The pilot project shall test our answers in the markets

- ✓ Institution building: the project shall identify and possibly initiate the institution necessary to implement and audit a successful product development for organic products (food and non food – **product development and institution building**)
- ✓ Positioning: the project shall be in the private sector and take the market lead from inception and market demands – **quick wins**
- ✓ Economics: the project shall contribute to add value to indigenous food products both for the domestic and the export markets (mainly the neighbouring countries) – **market test**
- ✓ Assistance, lessons learnt und follow-up for the continuation and extension of the project is secured

Relevant websites:

www.indocert.org

www.fibl.ch

www.ifoam.org