

# **Bio Bhutan: Progress Report January – June, 2008**



**Your provider of natural and organic  
certified products from Bhutan!**

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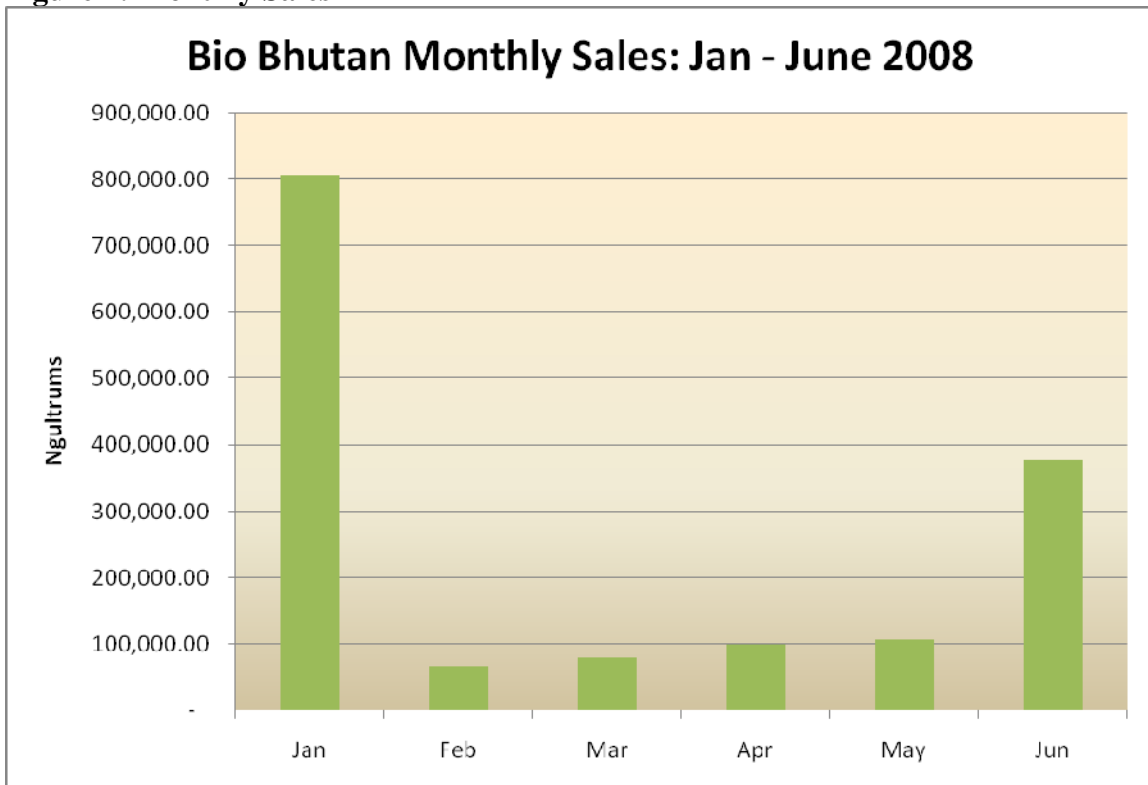
## 1. Introduction

2008 is expected to be a very promising year for Bio Bhutan. Many challenges, both technical and financial were faced by the enterprise in 2007. Despite this the final accounts for the first time showed a total profit of Nu. 464,810.00 since its establishment in 2005. Aside from improvements in the financial performance there is a significant increase in collaborative efforts with stakeholders in the government as well donor agencies. Key collaborating partners from the government are the Ministry of Agriculture (National Organic Program, Agriculture Marketing Services, Social Forestry Division), the Ministry of Economic Affairs (Department Industry and Department of Trade) and the Ministry of Finance (Sustainable Development Secretariat). Key partners from Donor organizations are SNV (Netherlands Development Organization), the UNDP GEF Small Grants Programme and Helvetas/SDC Bhutan.

## 2. Sales

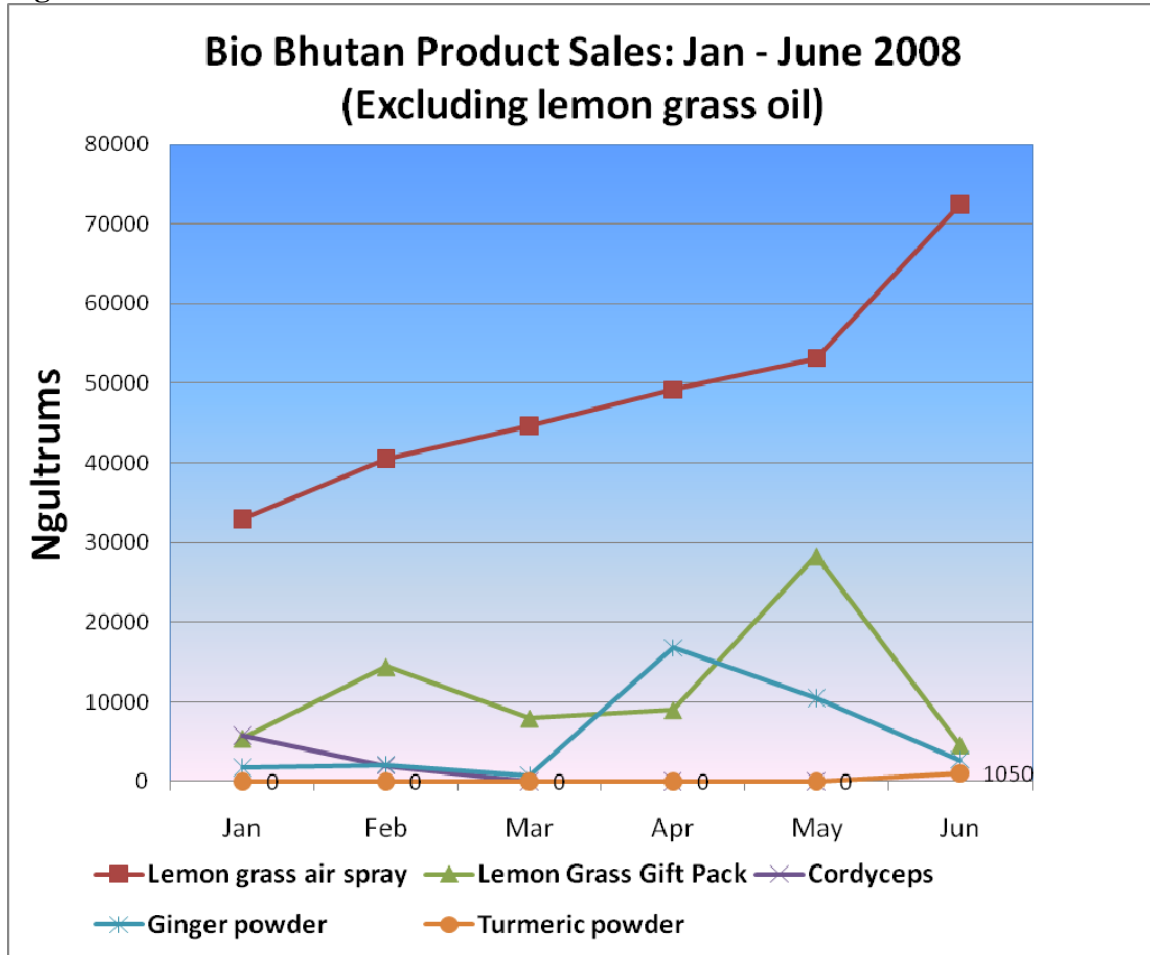
Total sales worth Nu. 1.66 million were made during the first six months of the year. As can be seen in figure 1 there are two peaks in sales in the month of January and June. This is due to the exports of lemon grass oil to Europe. It is must be noted here that sales stem from 2007 season. Sales of lemon grass oil are expected to increase considerably in 2008.

**Figure 1: Monthly Sales**



Local sales are dominated by the lemon grass air spray followed by lemon grass oil gift pack and ginger powder. The least sold product was the turmeric powder which was introduced in the market only in the month of June. However, chemical analysis carried out for the turmeric powder in a natural products laboratory in Hanoi, Vietnam, show that it is of excellent quality.

**Figure 2: Product Wise Sales**



### 3. Finances

An overall net profit of approximately Nu.0.4 million was made during the report period. The highest investment was made in printing of training material for farmer groups on organic farming. Other expenses comprised normal overhead and manufacturing costs. Of the total of approximately Nu.3 million of income and assets, product sales comprised 55% followed by stocks which comprised 36%.

Details of the financial summary during the report period is provided as a separate document.

## 4. Farmer Groups

Since 2005 it was only the **Dozam Community Forestry Group** that has been supplying organic certified lemon grass oil to Bio Bhutan. With support from the Social Forestry Division and respective Dzongkhag Forestry Sections two new Community Forestry Groups have been established in the lemon grass growing areas in eastern Bhutan. These two new groups are the **Phuensum Community Forestry Group**, in Dramitse, Mongar and the **Bepam Lemon Grass Management Committee** in Udzorong, Tashigang. Both groups have management plans and an organized group structure, hence fulfilling the most important conditions required for organic certification. From 2008 onwards Bio Bhutan will also source organic certified lemon grass oil from these two new groups. Annual planning meetings and training for requirements for organic certification were conducted for all three groups in June, 2008.



**Meeting with the Farmers of the Bepam Lemon Grass Management Committee of Udzorong in the presence of representatives from the Lemon Grass Cooperative, Essential Oils Development Project (Ministry of Economic Affairs) and the Tashigang Territorial Forestry Division (June, 2008)**

Bio Bhutan has been collaborating with the **Dekiling Ginger Group** in Sarpang for the supply of organic ginger since 2007. Marketing of ginger from this group has been continued through the selling of ginger powder. Many efforts are underway for further product development (ginger tea and oil) from the Dekiling ginger.

In collaboration with the National Organic Program, the women groups in Zhemgang namely the **Dakpai, Tama and Takhabi Women groups** were identified for training on organic farming under the LCB (Local Capacity Building) contract with SNV. Bio Bhutan purchased ginger and turmeric cultivated by these women groups through the

National Women's Association of Bhutan (NWAB) in Thimphu. Both these products are being marketed in the form of powder in the local market.

## 5. Services

Under the Local Capacity Building Program of SNV, Bio Bhutan has been employed as one of the LCBs (Local Capacity Builders) for training farmer groups on organic farming with the objective of facilitating marketing of organic products from the farmer groups. Under the first contract (May 2007 – April 2008) training of the Dekiling Ginger Group farmers and marketing of their ginger has been main focus in addition to training two other farmer groups on organic farming: the Dakpai, Tama, and Takhabi Women groups in Zhemgang and farmers under Ugyentse geog in Samtse.



**Training women of the Dakpai, Tama and Takhabi Women group on composting. Training facilitated by National Organic Program and Bio Bhutan. Participants also included representatives from the Rural Development Training Center and the Zhemgang Dzongkhag Agriculture Section (May, 2008)**

## 6. Grants and Proposals

A proposal on development of organic soap based on organic certified lemon grass oil was submitted by Bio Bhutan to the Sustainable Development Secretariat (SDS), Ministry of Finance under the Programme for South – South Cooperation for Sustainable Development – Benin, Bhutan, Costa Rica in November 2007. Since it was the first time a private enterprise was applying for a grant under the program Bio Bhutan was asked to make clarifications on the routing of the funds (need to be routed through an NGO or government agency) and how the profits generated will benefit farmers. All necessary clarifications have been made and the proposal has been resubmitted to SDS in June

2008. The final decision on approval of the proposal will be made during the first week of October, 2008.

A proposal for carrying out a trial distillation on Wintergreen and Artemisia oil in collaboration with the Dozam Community Forestry Group was submitted to the Global Environment Facility (GEF) – Small Grants Program under the United Nations Development Programme (UNDP) in March 2008. The project has a total budget of Nu.280,800 of which Nu. 121,800 will be provided as a grant by GEF – SGP and the remaining amount will be contributed by Bio Bhutan and the Dozam Community Forestry Group. The proposal was approved and activities under the first phase of the project have been completed successfully. Activities included trial distillation of the season's first growth of wintergreen and Artemisia. The second phase will involve distillation of the mature wintergreen leaves at the end of the season of 2008.



**The Dozam Community Forest Chairman (extreme left) and Secretary (extreme right) with two distillers holding samples of wintergreen and Artemisia oil distilled during the trial distillation held in June, 2008.**

## **7. Other activities**

### **7.1 Board Meeting**

The annual board meeting for 2008 was held on 20<sup>th</sup> June, 2008. Two of the board members Dr. Saamdu Chhetri and Phurba (from Lhatshog) attended the meeting in addition to the (Ex) Helvetas/SDC Resident Coordinator, a representative from BCCI and all Bio Bhutan staff. Key outcomes from the meeting included the following:

1. Obtainment of short term loans from financial institutions to address Bio Bhutan's cash flow constraints.

2. Extension of the financial planning sheets beyond December 2008 to assess the severity of cash flow constraints.
3. Revelation of cost analysis sheets to collaborating farmer groups in order to gain their trust and understanding of Bio Bhutan's financial situation.
4. Establishment and maintenance of Products and Services branch of Bio Bhutan separately.
5. Development of a comprehensive services manual for Bio Bhutan covering operational activities, service record, planning and administration.

In addition to discussions on the above issues tasting of three types of herbal tea was also carried out by the participants of the meeting. Feedback received from the participants was incorporated in Bio Bhutan herbal tea development program.

## **7.2 Development of new products**

A number of new products are being developed and promoted. The new products are ginger tea, wild honey, ginger oil, wintergreen oil and organic potato. The first batch of the ginger tea is planned to be introduced in the local market within the last quarter of 2008. A farmer group has been identified for supply of wild honey in Tsirang. Trial distillation of ginger and wintergreen oil has been initiated and samples have been distributed to potential buyers. Further trials and quality analysis are required to finalize marketing of these oils. In collaboration with the Agriculture Marketing Services negotiations are underway to market the organic potato from Gogona to Malaysia.

## **8. Challenges**

Cash flow constraints continue to be the main challenge for Bio Bhutan. On one hand the potential for establishing links with new farmer groups and developing new products is immense. But on the other hand funds are limited and cash flow is not regular. This requires Bio Bhutan to minimize over head costs as far as possible and work efficiently.

## **9. Conclusion**

Many efforts have been made to improve the financial situation of Bio Bhutan through enhancement of sales and services as well as application for financial support in the form of grants. As a result sales are growing (locally and internationally) and many proposals and ideas for product development and marketing on collaborative basis are being made by parties within Bhutan and overseas. With these ongoing developments it is anticipated that Bio Bhutan will soon overcome existing financial difficulties and be able to market a more diverse range of products that are cultivated/collected/processed by farmer groups and be able to cater to a wider range of customers locally and internationally. This will help to further enhance farmer's benefits, add value to Bhutan's natural resources, promote the image of Bhutan as a supplier of pure and organic products and contribute to the overall development of the private sector of Bhutan.