

# FOOD CORPORATION



# OF BHUTAN

(FOOD: ANY WHERE, ANY TIME)



## ONE OF THE DISTRIBUTORS OF:

- M/s Hindustan Lever Ltd.
  - M/s Nestle India Ltd.
  - M/s Glaxo Smithkline Consumer Healthcare Ltd.
  - M/s Agro Tech Foods Ltd.
  - M/s Colgate Palmolive India Ltd.
  - M/s.Nippo Batteries Ltd (Indo National Ltd)
  - M/s Henkel SPIC India Ltd.
  - M/s Gujarat Co-Operative Milk Marketing Feder. Ltd.
  - M/s Aza Tea Packaging Company.
  - M/s Shubham Industries Ltd.
  - M/s Herbal & Hygiene Products
  - M/s Parle Products (P) Ltd.
- Providing food security through maintenance of the “National Food Security Reserves” and “SAARC Food Bank”
  - Nationwide distributor of branded consumer products of multinational Companies.
  - Facilitator of cash crop marketing in the country
  - Looks after the logistics of the World Food Program.



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# Food Corporation of Bhutan



**Mr. KUNZANG NAMGYEL :: MANAGING DIRECTOR**

## BACKGROUND

The Food Corporation of Bhutan established in 1974 was functioning largely as a Government Department despite being designated as autonomous Corporation. All capital expenditure and establishment costs were funded by the Government and Bank overdraft were sought as working capital.

One of the main functions of the Corporation then were to maintain stock of essential commodities to be able to respond immediately for supplies to drought stricken areas experienced in the seventies and as much to meet the demand of the increasing number of foreign labors when the development plan began in the sixties.

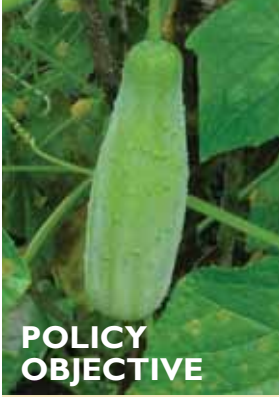
The other function included trading in the agricultural and horticultural produce since Agriculture is fundamental to existence and as much a Bhutanese way of life. The farming system is continued with environment concern at the heart. Instead

of harmful pesticides and heavy machinery, the crops thrive off the salubrious land itself.

The dynamics of this ancient source for livelihood has, however, transformed greatly. All because of the priority accorded by the Royal Government in the promotion of its growth. A far cry from the days of subsistence, farmers now earn a steady income from surplus produce. The sector contributes substantially to the national exchequer, and the nation itself is set firmly on the path towards food self-sufficiency. The growth of the sector is evident from the turnover of the farm produce as revealed

from the record of trade conducted by FCB leave alone the private traders.

The Corporation was then registered under the Companies Act of 1989 since 1992 and subsequently Companies Act of 2000 as the Government began the process of divesting itself of economic functions to private business and granting autonomy to government owned Corporations to function without the budgetary support from the Government. The Board of Directors from the relevant Ministries and the Departments were constituted to direct the business of the Corporation.



## POLICY OBJECTIVE

The Corporation is fully owned government Corporation with the following mandates.

- Ensure price stabilization of the essential food items through effective procurement, development of nationwide distribution and sales network.
- To maintain and service the “National Food Security Reserve” and the “SAARC Food Bank Reserve” to meet emergencies.
- To achieve market leadership in selling diversified consumer products within the domestic market.
- Introduce convenient product lines and assert quality management to the satisfaction of the consumers.
- Enhance market share by establishing itself as one of the dependable and reliable firm exporting quality cash crop products.
- To facilitate free and fair trading in the marketing of cash crop through the auction yards.
- To look after the logistics of the WFP food aid program.

## Business Thrusts

The functions of the FCB are categorized into two; the primary business and the secondary business.

### PRIMARY BUSINESS

- a) **Provide access to food**  
FCB engages’ in the business of providing access to food all over the country, at all times. FCB strives to be a leader in delivering quality essential food commodities at rationalized price. The FCB shall provide access to food by:
- i. Engaging in the wholesale distribution of essential food commodities; procured at the most competitive price.
  - ii. Managing national food reserve by holding agreed levels of stock as per the requirement of the ‘National and SAARC Food Bank Reserve’.
- b) **Promote and support marketing of agricultural and horticultural produce**  
FCB promotes and support marketing of agricultural and horticultural produce of the Bhutanese farmers by:
- i. Facilitating fair trade of agricultural and horticultural produce between the buyers and the Bhutanese growers through efficient and effective operations of the auction yards.
  - ii. Identify, promote and develop marketing of any cash crop produce independently or in collaboration with the Ministry of Agriculture.

### SECONDARY BUSINESS

FCB’s secondary businesses are strategic interventions which would financially support the achievement and sustenance of its primary business. The secondary business not only impinges on the performance of its primary business. The secondary business reviews/ evaluates periodically. FCB currently engage in the following secondary business:

- a) **Wholesale Dealership / agency business**  
FCB operates wholesale distributorship of consumer goods under dealership arrangement with principal companies in India/3rd countries.
- b) **Managing agent of the WFP commodities**  
FCB act as the managing agent of the World Food Programme commodities supplying to the beneficiaries through its distribution network to schools.
- c) **Venture into commercially attractive agriculture / horticultural projects**  
Through research and development, FCB undertake commercially attractive agricultural/horticultural ventures that would benefits farmers.



## VISION

FCB shall be a dynamic, responsive and an autonomous corporation providing access to food anywhere and at all times to the nation and be a trusted partner to the farmers in marketing their produce.



## Export Marketing

The emergence of the FCB as a marketing facilitator for agro-horticulture produce is a major milestone. The move was timely and more in the nature of service to the farmers at large. Realizing the inability of the rural farmer to market their produce, the FCB stepped in by establishing regulated auction yards and overseeing the auction. This move has considerably improved the bargaining power of the farmer, enabling them to get the best rates possible.

The FCB is presently the only facilitator for the sale of farmers produce, operating four modern auction yards at Phuentsholing, Samdrupjongkhar, Gelephu and Samtse, and a number of seasonal auction yards. The auction season for most products begins in July, which lasts up to the end of December except for oranges, which begins in November and extends up to early February.

Any interested buyer regardless of nationality could participate in the bidding process to procure the required quantity on payment.

### Cash Crop handled by FCB – 2007-2009 (Turnover in Mt)

YEAR	POTATO	VEGETABLES	TOTAL (MT)
2007	21,611.87	1,434.66	23,046.53
2008	21,109.02	1,592.65	22,701.67
2009	30,998.56	1,310.42	32,308.98
<b>Total</b>	<b>73,719.45</b>	<b>4,337.73</b>	<b>78,057.18</b>

For such buyers, FCB do organize to rent storage facilities enabling them to sort, grade and repack their procured goods and as much to schedule their dispatch programs if contacts with FCB for facilities are made well in advance.

Since early two thousand the Corporation had also begun to export fruits particularly mandarin to Bangladesh.

These products are fresh farm produce largely free of pesticide treatment. The turnover of fresh vegetable between 2007 to 2009 is tabled below. This translate one of the successful government polices in agriculture improving income to the farmers.

### MISSION I

FCB shall provide essential food items and secure food reserve for the nation through the use of most effective and efficient technical and managerial approaches.

#### CORE THRUST AREAS

- i. Engage in effective and efficient procurement and distribution of essential food items through the country.
- ii. Maintain and service the “National Food Security Reserve” and the “SAARC Food Bank Reserve”.

### MISSION II

FCB shall provide most effective and efficient agricultural marketing services to the Bhutanese farmers by strategically aligning itself to the needs of the farmers.

#### CORE THRUST AREAS

- i. Engage in effective marketing, distribution and sale / export of locally produced agricultural produces.
- ii. Facilitate free and fair trade of locally produced agricultural produces through the auction yards.

### Mission III

FCB shall pursue commercially attractive business ventures that would promote and sustain the pursuit of its vision.

#### CORE THRUST AREAS

- i. Engage as an efficient and effective distributor of consumer goods in the local market.
- ii. Maintain fair price and ensure quality of consumer goods as a responsible marketing and distribution services.

## Domestic Marketing

Over and above, the Corporation is one of the largest importer and distributor of food items and conveniently packed manufactured goods that help to stabilize prices to the consumers through supplies. The dealerships of those manufacturing companies (agency) associated with FCB are on the advertisement page. The summary of the sales turnover of food grain and Agencies for the last four years (2006 – 2009) are given below.

FCB manages the distribution through a network of centrally and strategically located infrastructures throughout the country and with a team of experienced staff. FCB has sales network in every corner of the country that provides access to food supplies at any point of time.

### FCB Sales Turnover (Quantity in Mt)

ITEMS	2006	2007	2008	2009
	Qty	Qty	Qty	Qty
Rice	7948.987	8078.767	8250.777	6373.006
Edible Oil	648.889	667.198	785.853	708.221
Sugar	3028.884	1829.605	1914.286	3646.308
Pulses	261.730	304.559	359.426	352.107
Salt	207.822	204.173	274.430	395.117
W/Wheat Products	631.760	462.388	464.431	507.436
Dalda	242.571	330.602	380.015	445.341
<b>Total</b>	<b>12970.642</b>	<b>11877.292</b>	<b>12429.218</b>	<b>12427.535</b>

### Agency Sales Turnover (Value in million)

AGENCY	2006	2007	2008	2009
A.S Herbal & Hygiene Products	0.722	0.772	0.881	1.145
Agro Tech Food Ltd	2.375	3.094	4.252	2.688
Aza Tea Packaging Company	5.125	5.950	7.051	9.357
Bhutan Diary & Agro Industries LTD	3.317	3.767	1.183	4.715
Colgate Palmolive India Ltd.	0.862	0.852	0.665	0.613
Druk Agro Enterprise	1.838	0.644	0.446	0.778
Glaxo Smithkline Healthcare Ltd	5.151	4.227	4.274	4.784
Gujrat Cooperative Marketing Feder. Ltd	20.508	29.827	24.769	24.538
Henkel SPIC India LTD	9.401	10.947	14.005	16.834
Hindusthan Lever LTD	26.391	17.752	17.406	18.109
Indo National Ltd.	1.141	1.094	0.611	1.176
Nestle India LTD	60.393	47.235	73.184	100.463
Parle Product Private LTD	4.452	4.064	4.515	5.398
Reckitt Benckiser (I) LTD	1.575	0.600	0.698	0.877
Shubham Industries LTD	6.677	5.306	6.108	4.829
<b>Total</b>	<b>2155.929</b>	<b>2143.130</b>	<b>2168.046</b>	<b>2205.306</b>

## Conclusion

FCB would be further consolidating and strengthening its support services to the farmers in marketing their vegetables and fruits. Alternative marketing channel is being continuously investigated for possible adoption to improve the services and returns to the farmers. Supplies to industries are being probed for possible vertical integration with the farmers to contract out specific product and qualities.

On the domestic marketing, FCB markets its products with a view to serve the consumers in providing value for their money through quality products, multiple product lines, conveniently packed, and sales services in terms of effective delivery system and providing more time for consumers.

**The value of services to the consumers is the hallmark of FCB. ■**

