



Incentive Scheme for Market-led Production of RNR Commodities

1. Background and Concept

The RNR Marketing Strategy 2021 has identified “promotion of market led production” as one of the strategies to strengthen the production and marketing of RNR commodities. Towards this, the incentive scheme for production of market led RNR commodities is being introduced.

The implementation of buyback scheme by the ministry in the past has been instrumental in keeping the spirit and encouragement of production by the farmers, however, the need to refine it towards reducing compensation losses for the government, discouragement through low buyback price offer for prioritized commodities and effect on market distortion has long been felt.

The Scheme with broader scope incorporating features of crop prioritization, charter of clear implementation modalities and enforcement through better Dzongkhag decentralized mode is proposed. Dzongkhag Administration under the direct supervision of DASHO DZONGDA shall implement the scheme with ownership, authority and accountability while the Ministry shall confine its role in issuing of implementation guidelines to the Dzongkhags, setting of Incentive Scheme Price (ISP) through task force, facilitation of budget release to the Dzongkhags and monitoring of the implementations as may be required.

The scheme is aimed at incentivizing farmers to promote production of RNR commodities that contribute towards achieving national food security, have better nutritional value, have potential for higher incomes to farmers, and enhance import substitution and export promotion. The scheme is to compensate farmers, at a pre-determined price, should there be no demand for RNR commodities produced or the prevailing market price is less than the cost of production (COP). The scheme apart from addressing market distress and market failure situation would be geared to encourage production and growth of prioritized commodities

Definitions

The Incentive Scheme for Market-led Production of RNR Commodities is defined as a scheme to compensate farmers producing prioritized RNR Commodities, identified under this scheme, and for which the market price is lower than the cost of production.

RNR commodities is defined as those commodities that contribute towards achieving national food security, have better nutritional value, have potential for higher incomes to farmers, and enhance import substitution and export promotion. RNR commodities will include both agriculture and livestock products. The commodities will be identified by Task Force.

The COP is defined as the investment amount made by the producers in producing unit volume of RNR commodity. The COP shall be determined by the technical department concerned on regular basis following their standard technical procedure. It includes all costs incurred starting from land preparation for sowing till the produce is harvested and made ready for marketing.

Facilitator and Coordinator of the scheme is defined as any agency that would facilitate and coordinate implementation of the scheme and remain as central contact point. DAMC, MoAF is identified as the overall facilitator and coordinator. The DAMC would assist Implementer



and Implementing partner agency, issue implementing guidelines, consolidate request of implementers and facilitate budget release, monitor scheme implementation and submit consolidated report to the government.

Implementer of the scheme is defined as any Dzongkhag that would implement the scheme with roles as that of consolidation of scheme support of producer farmers, quantity assessment and budget estimation, submission of budget release request to government, invoking of the scheme and submission of progress status report to the government. It is to be understood that the Dzongkhag Administrations headed by Dasho Dzongda would implement the scheme by taking decisions on development of proposal, invoking of ISP and implement as per the implementation guidelines.

Implementing partner agency is defined as any agency that the Implementer agency has identified for procurement and marketing of produces, covered under the scheme, as directed by the Implementer with invoking of the scheme. The Implementing partner agency with provision of budget assistance from the government would make ISP payment to the farmer producers after procurement of the produces, market the produces both within and outside country and submit progress status to the implementer on periodical basis or as and when required by the implementer.

2. Objective

The Scheme shall be pursued with following objectives

- 2.1 To promote market led production of RNR commodities.
- 2.2 To compensate farmers if the market price of prioritized products is lower than the COP.

3. RNR Commodity Categorization

RNR Commodities as defined under definition section above, is categorized under three categories as follows. The commodities under each category shall be identified by the Task Force, annually.

Category A: Under this category, commodities that have higher nutritional value, higher income to farmers, potential for import substitution and contribute towards food and nutrition security shall be considered. RGOB shall consider to offer 10-20 percent higher than COP, with exception of winter chili with 200%.

Category B: Under this category, commodities produced in large scale with export opportunities and new products promoted by the technical departments for food security, shall be considered. RGOB shall offer ISP at par with COP.

Category C: Under this category, RNR commodities that are commercially grown by farmers as cash crop but not necessarily contribute to import substitution nor essential for dietary habits, shall be considered. RGOB shall offer 30-50% lower than COP.

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4. Price and commodity determination

A Task Force led by DAMC and members from FCBL, DoA, DoL and PPD, MoEA, and MoF shall identify the commodities under different category of this scheme and determine the annual ISP, minimum volume required and its quality parameters in November each year. DAMC shall seek Ministry's approval and endorsement on the commodities and price determined by the Task Force, and shall notify to the public and stakeholder agencies in December each year.

The Task Force shall consider factors including COP, Market Opportunities, Importance of commodity from national food self-sufficiency and/or food security perspective, nutritional value, economic returns and import substitution in determining the commodities and price.

The ISP 2022 chartered through Task Force Committee is as in Annexure 4.

5. Budget requirement for the Scheme

RGOB shall arrange budget requirement for the implementation of this scheme and its related expenditure. It is recommended that an annual dedicated budget is maintained with MoF (at least Nu. 100 million at any point in time, considering past budget requirement for buybacks) which can be used as and when the scheme is implemented by the Dzongkhags with features of recouping and rolling mechanisms.

The budget release shall be as per the Dzongkhag request received through DAMC, MoAF.

6. Implementation Modality and Standard Operating Procedure (SOP)

- 6.1 DAMC shall be designated as overall Coordinator and Facilitator, Dzongkhag Administration as implementer, Line Departments as collaborator and FCBL and/or any identified agency (SOEs/Coops/Associations/ Private entity) as the implementing partner agency for the Dzongkhags.
- 6.2 The roles of the agencies and SOP of the implementation shall be as in SOP for invoking and implementation of ISP 2022 (Annexure 1)

7. De-risking mechanism

In order to minimize the losses, the Implementer (Dzongkhag Administration) with support of the Ministry would invest in storage facilities (large facilities and pack houses by DAMC/FCBL/BLDC and smaller facilities at Dzongkhag/Gewogs by Local governments), value addition and processing facilities, post-harvest infrastructure, market research, market linkage and exploration of alternate markets in other neighboring countries.

8. Miscellaneous

Should there be any profit earned through implementation of this scheme in any of the commodities, the report will be submitted to MoF. However, should there be genuine loss from the implementation of ISP, loss compensation shall be recommended to MoF.



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Annexure 1: Standard Operating Procedure for invoking and implementation of ISP 2022.

1. The proponent producer farmers in need of ISP support shall approach their respective Gewog Administrations. The Gewog Administrations, in retrospect, shall also based on their judgement make assessment of such ISP support needs through proactive approaches and consultation with the farmers.
2. Gewog Administration through consolidation of such requests shall submit the information to the Dzongkhag Administration in the prescribed format as in Annexure 2 with turn-around-time (TAT) recommended to be for ten days.
3. The Dzongkhag Administration on receipt of the ISP support request from Gewogs shall consolidate the requests, assess the need and if found valid, determine budget requirement and intimate with formal communication to the DAMC, MoAF on the need to invoke the scheme with required information in the prescribed format as in Annexure 3, with recommended TAT of five to six days.
4. Based on the consolidated report of the Dzongkhags for invoking ISP, DAMC shall review the case and if found valid, propose to the MoAF for approval and facilitate budget release from the MoF to the Dzongkhags.
5. Once the invoking of ISP is approved by the MoAF, the Dzongkhag as the implementor of ISP shall identify the implementing partner agency.
6. The Implementing Partner agency can be either FCBL and/or any identified agency (SOEs/Groups and Cooperatives/Associations/Private parties) including Youth Groups that Dzongkhags may choose for procurement and marketing of the commodities.
7. Dzongkhag Administration may invoke the scheme preferably through sitting of the Incentive Scheme Committee that the Administration may institute or through appropriate Administrative procedures as judged appropriate.
8. The Dzongkhag Administration on receipt of the budget requested or on approval and commitment of the release shall invoke and implement the scheme.
9. The invoking of the scheme involves informing the proponent producer farmers and assigning of the implementing partner agency for procurement of the commodities and marketing of the same both within and outside the country.
10. Dzongkhag Administration and implementing partner agency shall make the necessary ISP payment to the producer concurrent to procurement of the commodities.
11. The ISP payment to be made only for Quality Produces meeting the market requirement to facilitate improvement of quality of produces by the farmers for market supplies.
12. Based on intimation and implementation of the scheme by the Dzongkhags DAMC/Ministry shall assist and monitor the implementation on regular and periodical basis.
13. RAMCOs shall provide all possible support to facilitate the inter Dzongkhag marketing of RNR produces.
14. Dzongkhag Administration shall submit progress status on the implementation which shall be assisted, followed up, and monitored closely by DAMC/Ministry.
15. Once the trading of ISP is completed, Dzongkhag Administration shall deposit back the principal amount released to the MoF account.
16. Subsequent to completion of the scheme implementation Dzongkhag Administration shall submit both profit and loss account from trade of the produces on periodical or as and when requested for by the ministry/government.



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17. All stakeholders shall make every effort to avoid losses. However, should there be genuine losses due to unavoidable circumstances for the implementing partner agency, Dzongkhag Administration shall process compensating the losses from MoF.
18. DAMC shall consolidate report of the progress status of the scheme implementation by the Dzongkhags and submit to ministry/government on periodical and regular basis. DAMC to the effect shall produce the Annual Report of the scheme.

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Annexure 2: CONSOLIDATED ISP SUPPORT REQUEST FORM AT GEWOG LEVEL

Name of the Gewog:

Sl. No.	Commodity	No of HHs requiring ISP support	Commodity Volume	Remarks
1	Potato		5,000 kgs	
2	Ginger		3,000 kgs	
3				
4				

Signature of the Gewog ES:

Verified by Gewog Administration:

Name	Designation	Signature
	Gup	

Note: The form is to be filled up by Gewog ES and Gup and submitted to Dzongkhag Administration



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Annexure 3: CONSOLIDATED ISP SUPPORT REQUEST FORM AT DZONGKHAG LEVEL

Name of the Dzongkhag:

Sl. No.	Gewogs	Commodity	No. of HHs requiring ISP support	Commodity Volume	Budget (ISPX Volume)	Remarks
1	Chali	Potato		5,000 kgs	5,000x21=105,000	
2		Ginger		3,000 kgs	3,000x33=99,000	
3						
4						
	Total					

Signature of DAO/DLO

Verified by Dzongkhag Administration:

Name	Designation	Signature
	Dasho Dzongda	

Note: The form is to be used by Dzongkhag Administration to consolidate ISP request and submit onward to DAMC, MoAF



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Annexure 4: RNR COMMODITIES & INCENTIVE SCHEME PRICE (ISP), 2022

Sl. No.	Commodities	Harvesting period	Cost of Production (COP) Cost/Kg	Average Market Price	ISP Offer Percent	ISP
Category A						
1	Green Chilli- big	Jan-April	37	179	200%	100
2	Green Chilli -Small	Jan- April	93	304	40%	130
3	Beans (fresh)	Jan- May	34	122	10%	37
4	Pea	Jan-May	31	107	10%	34
5	Cauliflower	Jan-May	35	122	10%	39
6	Broccoli	Jan- May	26	94	10%	29
7	Tomato	Year round	36	65	20%	43
8	Onion	Year round	33	62	20%	40
9	Straw berry	Year round	79	NA	20%	105
10	Passion fruit	Year round	12	NA	20%	14
11	Pineapple	Year round	25	NA	20%	30
12	Pork	Year round	300	450	15%	345
13	Chicken	Year round	221	300	15%	254
14	Maize	Year round	19	28	10%	21
Category B						
15	Apple	Seasonal	27	209	COP	27
16	Potato	Seasonal	21	42	COP	21
17	Mandarin	Seasonal	32	155	COP	32
18	Ginger	Seasonal	33	115	COP	33



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19	Cardamom	Seasonal	360	700	COP	360
20	Areca nut	Seasonal	15	NA	COP	15
21	Carrot	Seasonal	22	75	COP	22
22	Quinoa	Seasonal	75	110	COP	75
23	Buckwheat	Seasonal	35	50	COP	35
24	Egg	Year round	9	12	Cop	9
Category C						
25	Cabbage	Seasonal	18	43	(50%)	9
26	Radish	Seasonal	13	30	(30%)	9

Note: The cost of production (COP) for Potato, Ginger and Small chili are based on revised COP 2022 while the COP for others in general are based on COP 2020 and 2017.