



SECTOR OVERVIEW

Also known as the Renewable Natural Resources sector and inclusive of crops, livestock and forests sub-sectors, it provides the highest employment at 49.9%⁶ of the population while contributing 19.23% to the GDP in 2020.

- Ngultrum 1 billion allotted for the organic flagship program for the 12th Five Year Plan; with farm credits & subsidies, seeds & farming equipment, etc. provided to incentivize commercial farming.
- Grows organic and high-value products like apple, oranges, kiwi, berries, avocado, asparagus, potato, cardamom, ginger, herbs, etc.; walnut, pecan & almond; mustard, groundnut, soybean, sunflower, perilla & niger; rice, buckwheat, maize, wheat & quinoa, etc.
- Significant potential in Livestock and Forests sub-sectors for production of dairy and meat products, and for extracting exudates, growing ornamental plants, aromatic & medicinal plants for cosmetic or medicinal uses, food & fodder, etc.

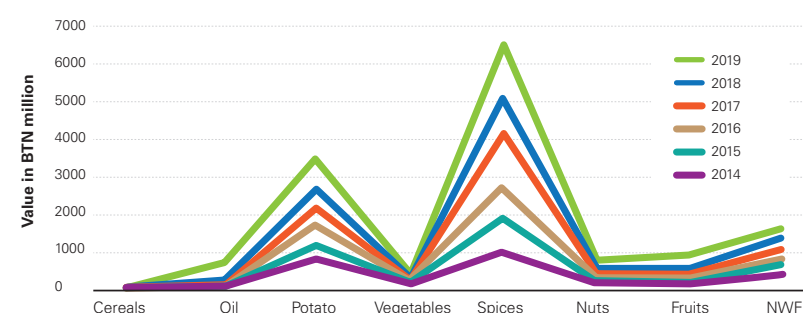


Figure 3: Export value of agricultural and non-wood forest products, 2014-2019. | Source: Bhutan Trade Statistic 2019

INVESTMENT OPPORTUNITIES

With a strong commitment for organic agriculture & agro-processing with a total of 5,560 acres earmarked and ongoing accreditation of “Brand Bhutan” to penetrate the global organic market, it offers immense potential for investors looking at the sector. These are classified into:

- Agriculture input industries:** Most of the input industries are driven by the government indicating huge opportunities for production, commercialization and distribution of organic fertilizers, bio-pesticides & organic feed, organic seed, machines for seed cleaning/processing, labelling/packaging, mushroom spawn production laboratories, etc.
- Production and agro-processing:** Agro-processing such as packaging or canning industries, refrigeration/instant packaging, freeze-drying, dehydration, pre-treatment, etc. of highly valued organic products for fruits, vegetables, herbs & mushroom, nuts and oilseeds, cereals, spices, etc., and aquaculture.
- Grading and marketing:** Losses due to poor storage is high for farmers, retailers or wholesalers. Investment in appropriate processing units for collection, grading, storage and cold storage would reduce post-harvest losses and improve quality for many agricultural products.
- Agriculture-related services:** There is a strong emphasis to facilitate capacity development of stakeholders involved in the production, product development, certification with opportunities in R&D, trainings on integrated farming, development communication technology-based tools, marketing & branding, market information systems, etc.

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AGRICULTURE SECTOR

Bhutan: overview

Bhutan is a small landlocked country with a population of 748,931 people and a per capita GDP of \$3,079.20 in 2020¹. Bhutan's pristine ecosystems with rich soils and climate conditions that vary between 500 – 4,000 masl offer opportunities for agricultural and agribusiness investments in close proximity to key export markets in the region.

Key facts²

Capital	Thimphu
Total area	38,394 Sq Km
Youth Literacy Rate (2018)	93.1 %
GDP growth rate (2019)	5.46%
GDP (Nominal)	USD 2.457.96 million
FDI inflow (2019)	USD 22.98 Million
Exports (2020)	USD 628.97Million
Imports (2020)	USD 915.39 Million
Balance of trade (2020)	USD (286.42) million
Currency	Bhutanese Ngultrum (Nu.) USD 1 = Nu. 74.39 ³

Why Bhutan?

Advantages of Bhutan

Strong political will to pursue inclusive economic transformation through innovation and technology, thereby supporting investments in the country.

A thriving economy with annual average economic growth of 7.6% between 2007 and 2017, far exceeding the average global growth rate of 3.2%.

Between 2007 and 2017, Bhutan had single-digit inflation, a stable exchange rate, and accumulating international reserves of USD 1.1 billion (equivalent to 11 months of imports of goods and services) is a testimony to the growing and stable economy of Bhutan.

FDI inflows increased significantly in 2019 with a total tax contribution of Nu. 1.53 billion (US\$ 0.02 billion) in 2019, Nu. 3.7 billion (around USD 51.03 million) to overall export and with employment to a total of 5,263 Bhutanese employees in 2019.

The current minimum wage rate for Bhutan is about USD 95 a month (Nu. 215 a day) for unskilled and about USD 140 a month (Nu. 324 per day) for skilled workers.

- ¹ Source: World Bank
- ² Source: Statistical Yearbook 2018 (National Statistics Bureau), Bhutan Trade Statistics 2018 (DRC, MOF), Population and Housing Census (2017), and FDI Annual Report 2019 (MoEA).
- ³ Exchange rate based on the Annual Report 2020 of Royal Monetary Authority (ref page 106) <https://www.rma.org.bt/>





Predictable business environment

- Bhutan ranks 2nd in South Asia in Ease of Doing Business in 2020; and ranked 25th in the world and 1st in South Asia in Corruption Perception Index 2019.
- A maximum of 74% FDI for agro-based production (agro-processing, bio-pesticides, health food, fisheries, etc.) with a minimum project cost of Nu. 20 million (USD 281,531); and equality of treatment for FDIs.

Global and regional market access

Market access under	Markets
Indo-Bhutan Free Trade Agreement	India; transit rights to third countries
Bhutan-Bangladesh Preferential Trade Agreement	Bangladesh; new trade route in eastern Bhutan through the Indian states of Assam and Meghalaya
South Asian Free Trade Area (SAFTA)	SAARC member countries
The Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC).	Bangladesh, India, Myanmar, Sri Lanka, Thailand & Nepal
Generalized System of Preferences (GSP)	European Union
The European Union's Everything But Arms Initiative (EBA)	European Union

Banking sector

- Lending interest rates range between 10% to 14%; agriculture loan for purchasing farm equipment, seeds, etc. at a 75% of the project cost at 10.01% – 10.85% for a maximum of 10 years.
- FDI company also allowed to borrow from abroad as per the External Commercial Borrowing Guidelines.

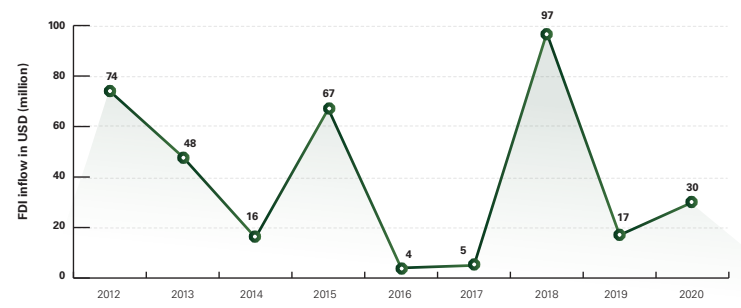


Figure 1: FDI inflow from 2012 to 2020 in USD million | FDI Annual Report 2020

Legal and regulatory framework

- Environmental Assessment of the National Environment Commission (NEC) required for select projects- not required for setting up cardamom plantation, commercial plantations of mushrooms, hazelnuts, coffee, ginger, sunflower, etc.
- Phytosanitary certificates from Bhutan Agriculture & Food Regulatory Authority (BAFRA) are compulsory for export & import of agricultural products & plants.
- Registered FDI companies can own freehold land.

Taxes and special incentives

- Specific tax exemptions (income tax, sales tax and customs duty) are provided to foreign investors for a period of 5 to 10 years; on imports of agricultural inputs and farm machinery, etc. for the purpose of establishing a business.
- FDI receives equality of treatment for all legal, business and related activities; exemption of Sales and Customs Duty taxes.
- For businesses and corporations, losses sustained in an income year can be carried forward and adjusted in the subsequent 3 income years.

Logistics and connectivity

- Flights to five countries (Bangladesh, India, Nepal, Singapore and Thailand), domestic flights to three domestic destinations with a travel time of less than an hour.
- The Asian Highway 48 and Asian Highway 2 connects Bhutan to neighbouring countries of India, Nepal and Bangladesh. Bhutan has a total road network of 18,264.63 kms and 377 bridges⁴.

Power and utility scenario

- Cheap electricity ranging from USD 0.018 – 0.051 (low voltage), USD 0.032–4.63 (medium voltage) and USD 0.021 – 4.19 (high voltage). The utility cost of water is US\$ 0.045 – 0.18/m³ making it one of the cheapest in the region.
- Ranked 18th cheapest country for mobile data with average charges of USD 1.25 for 1GB data as compared to the global average of USD 8.53 for 1GB data⁵ in 2018.

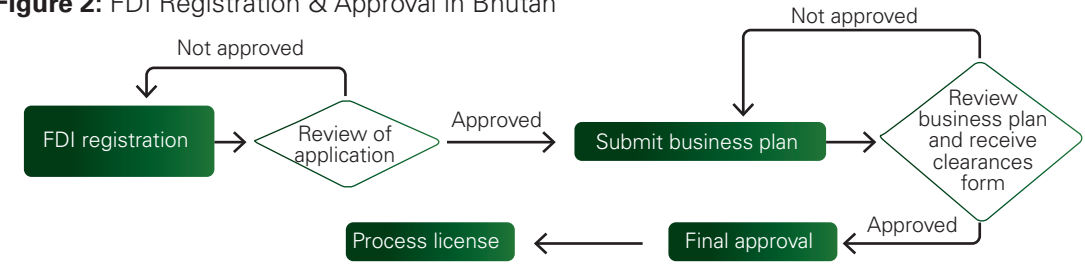
Abundant and attractive human capital

- **Young:** Around 40% of the total population is between the ages of 15 and 34.
- **Educated:** Most are fluent and conversant in English, the medium of instruction in schools. Over 300 schools are part of the School Agriculture Programme (SAP) that aim at inculcating farming as a viable career option.

Getting started – A brief guide

Bhutan ranked second among South Asian countries with an overall score of 66 out of 100, higher than the regional average of 58.2, as per The Ease of Doing Business 2019; rated high in paying taxes, enforcing contracts, doing business beyond borders, getting electricity, starting a new business and registering property.

Figure 2: FDI Registration & Approval in Bhutan



4 Annual Information Bulletin 2020, MoWHS.
5 cable.co.uk