



Expanding Horizons

A guide for export growth from
Bhutan to Australia

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ROYAL BHUTANESE EMBASSY CANBERRA

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H.E Mr. Sonam Tobgay
Ambassador of Bhutan to Australia



Foreword

Bhutan Blossoms is a social enterprise that specializes in niche food products manufactured using locally grown herbs, spices, teas and edible flowers in Punakha district, western Bhutan. In 2021, at the height of the COVID-19 pandemic and against all odds, Bhutan Blossoms started exporting its products to Australia. This made Bhutan Blossoms a pioneer, becoming the first Bhutanese enterprise to enter the highly competitive Australian food market by retailing its products at Harris Farm Markets in Sydney.



Based on Bhutan Blossoms' insights and learning, this case study charts a roadmap for similar Bhutanese businesses that see potential market for their products in Australia. Bhutan Blossoms' story is a microcosm of challenges Bhutan faces as a landlocked country. In analyzing its export journey, this case study also provides valuable insights for all stakeholders connected to the food export industry in Bhutan, whether that be policymakers, small-scale food processors, cooperatives and researchers seeking to understand challenges and opportunities for the industry beyond Bhutan's borders.

Background

Bhutan is a landlocked country nestled in the Himalayas with a small domestic market that primarily relies on agriculture, renewable energy, and tourism. Since the 1980s, annual real Gross Domestic Product (GDP) growth averaged 7.5 percent driven by the public sector-led hydropower sector and strong performance in services, including tourism. However, agriculture is still a dominant sector of the economy, accounting for about 16 percent of the GDP. Due to structural challenges such as lack of connectivity and the high cost of transportation, the majority of its trade largely remains within the region.

Creating opportunities in the agriculture sector can have a multiplier effect across the Bhutanese economy. The agricultural sector continues to be the major source of income and employment with almost 49.2 percent of the population dependent on farming. However, it is also a low productivity sector partially because of limited cultivable land at almost 3 percent. Bhutan's agricultural sector comprises mainly farming, livestock and forestry. Bhutanese farmers are smallholders who practice integrated subsistence agriculture. In addition to smallholder farmers, other important stakeholders in the Bhutanese food system include small-scale food processors, cooperatives and state enterprises charged with delivering essential services and ensuring market access.

Diplomatic relations between Bhutan and Australia were established on 14 September 2002. However, their partnership dates back to the early 1960s when Australia's support was instrumental in Bhutan gaining membership to its first international organization, the Colombo Plan, in 1962. Following this, the first cohort of Bhutanese students were admitted to Hale School in Western Australia in 1969, thus setting the foundation for strong educational and people to people linkages that is a defining feature of their current relationship. The two countries modest trade and investment relationship is primarily in the education and skills sectors. However, in recent years and particularly since Australia re-opened its international borders in late 2022, Bhutan has become a notable source of international students for Australia, becoming one of its



fastest growing markets in the period between January and July 2023 at 256 percent. This has led to Australia hosting the largest community of Bhutanese residents overseas with 26,770 Bhutanese holding a valid Australian visa at the end of June 2023. The growing Bhutanese community in Australia and Australian education system developing critical human capital for Bhutan, presents several opportunities for exchange of goods and services as well as skills, capital and technology.

Exporting Bhutan Blossoms

The export of a selection of Bhutan Blossoms food products to Australia represents a useful case study in international trade and export partnerships. Located in the heart of Bhutan, and nestled amidst mountainous landscapes, Bhutan Blossoms celebrates Bhutan's rich cultural, traditional and environmental heritage with an array of locally sourced and organically grown products. Its product portfolio is mainly composed of meticulously curated authentic food products sold across 10 outlets and 5 restaurants in Bhutan. Sharing profit with farmers that produce its raw materials, Bhutan Blossoms aims to empower such small-holding farming communities to develop regenerative agricultural landscapes that improve the ecosystems.

In 2019, Bhutan Blossoms embarked on their very first export journey with Switzerland, exporting flower petals to a herb and spice company. The product was sold on a Swiss based online market for a period of 3 years (2021-2023). In order to focus on more value-added products, they partnered with the Drachukha Flower Group in Drachukha Village in Punakha district. The Group grows edible flowers, herbs and spices and facilitates cultivation of raw materials by the surrounding communities.

Bhutan Blossoms initiated export to Australia in 2021 in the midst of the pandemic. The products are retailed via Harris Farm Markets, which is a prominent retailer based in Sydney. In terms of scale, Harris Farm Markets is the largest outlet for Bhutan Blossoms with products valued at over A\$ 80,000 being exported to date.



Bhutan Blossoms Products



Harris Farm Markets

Harris Farm Markets is an Australian grocery chain with 27 stores in New South Wales. As of 2021, the average annual retail revenue of Harris Farm Market was over A\$ 600 million, with over 3000 employees across their stores in New South Wales and more stores being planned. They are currently the principal reseller of Bhutan Blossoms products in Australia. The two export shipments to Harris Farm Markets have been a significant stepping stone for the expansion of Bhutan Blossoms and for its post-pandemic recovery.

Harris Farm Markets' historical close ties to Bhutan have contributed to the success of Bhutan Blossoms' exports and aided in its recovery from the post-pandemic challenges. The representation of Bhutanese culture and its uniqueness through Bhutan Blossoms products in their retail space enhanced the potential for Bhutan Blossoms to expand its growth.

However, it is worth noting that Bhutan Blossoms' ties to Harris Farm Markets exhibit a unique circumstance that is difficult to replicate given the familiarity between the two parties. This situation provided the opportunity for Bhutan Blossoms to negotiate favourable trade terms with Harris Farm Markets which were important in the face of logistical challenges during the initial exports. It is unlikely that these special accommodations could be negotiated for a new exporter. In most cases, a first-time exporter would be required to take significantly more of the upfront risk of the process prior to export delivery. This case establishes the importance of leveraging personal connection and network with existing trust and goodwill to create a new partnership.



Pandemic Impact and Export Challenges

Despite consistent growth in the export of goods from Bhutan with a 29 percent decrease in the trade deficit 2019. The COVID-19 pandemic caused the level of Bhutan's exports to decrease by 33 percent. The transportation of export shipments experienced significant delays and congestion due to containment and quarantine measures, creating additional challenges, especially for a first-time exporter like Bhutan Blossoms. In this context, the pandemic posed a significant challenge to the first export shipment, prolonging the export process and increasing costs by approximately 20 percent. The limited air transportation options from Bhutan's only international airport due to travel restrictions exacerbated the logistical hurdles faced by Bhutan Blossoms and other exporters. Additionally, Australia's strict import restrictions remain a barrier to entry for Bhutanese food producers seeking retail distribution.

These challenges included:

- *Limited Logistic Experience and Higher Costs*
- *Compliance with Australian Labelling Requirements*
- *Customs, Duties and Tariffs*
- *Rebranding for International Markets*
- *Packaging Solutions Development*



Initial Sales and Marketing

Once the initial products were in the stores, it initially witnessed promising trial sales of approximately over A\$ 8000 worth of goods, demonstrating the potential demand for Bhutanese food products in the Australian market. This first batch of export was deliberately planned to determine the interest and appetite of the Australian consumer, which is an important first step for any exporter. Product test marketing and learning from the initial lower risk, lower cost test phase will allow the exporter to ascertain demand while also earning revenue. In 2019, Bhutan Blossoms earned a net revenue of BTN 2.8 million from the sale of its products. 60 percent of this revenue was generated from the local market. Since the beginning of the pandemic in 2020 and 2021, Bhutan Blossoms earned BTN 2.3 million and 2.7 million respectively, from products sales with 80 percent of its revenue in 2020 and 86 percent in 2021 generated from export to Australia and Switzerland. The revenue in 2022 was higher, with a direct income of BTN 4.7 million, out of which 80 percent was from export sales to Harris Farm Markets.

Value Proposition

Bhutan Blossoms products have a set of unique properties that enhance its overall value proposition. Exporters to Australia must seek to ensure they have an equally compelling narrative that supports their unique value to the Australian consumer. For example, Bhutan Blossoms products hold significant value due to several factors:

a. Unique Selling Proposition: Bhutan Blossoms products are distinguished by being certified organic and sourced from the pristine environment of Bhutan. This unique selling proposition adds value to the products and attracts environmentally conscious consumers seeking sustainable and ethically sourced items. Its organic, easy-to-use features contribute to a consumer-friendly product range that attracts environmentally conscious consumers. A 2019 economic analysis suggests that the combined market for healthy and sustainable food products in Australia could potentially reach A\$25 billion by 2030 . This implies a significant growth opportunity for an emerging agricultural exporter



like Bhutan Blossoms. Moreover, a study that conducted an extensive survey involving 8,000 consumers worldwide and 75 companies revealed that global consumers are four to six times more likely to trust and purchase from companies with a strong purpose that aligns with the consumer's values. Australia is home to a consumer cohort with an empathy for sustainable and healthy food options. Bhutan Blossoms offer this association with high intrinsic value, high quality and sustainability features. Further Bhutan Blossoms is committed to equitable farming practices and sustainable agriculture that is attractive to Australian consumers.

b. High-Quality Standards: Bhutan Blossoms follows rigorous cultivation and processing practices, ensuring the highest quality standards for its products. For the flower based products, blossoms are carefully hand-picked, ensuring superior freshness and aesthetic appeal. Australia has a demand for high-quality, sustainable food products that promote healthy standards which Bhutan Blossoms offers through their organic produce. While the products are of a premium standard, they are also offered at a reasonable price next to a few competing Australian brands (i.e. dried/fresh edible flowers) offered at a higher consumer price. For instance, a 100g packet of the Bhutanese Fiery Bouquet is offered at A\$ 8.99 while a competing brand selling fresh decorative flowers is sold at A\$ 12.00 per 100g.

c. Cultural and Aesthetic Significance: Bhutan's blossoms carry cultural and aesthetic significance, making them sought-after commodities in international markets. They are often used in delicacies, decorations, and as ingredients in traditional medicine. Further Australia's growing Bhutanese population means there is the potential for a culinary cultural exchange which could amplify the value of Bhutan Blossoms products.

d. Exclusivity and Limited Supply: Bhutan Blossoms products are exclusive due to their limited supply and the unique growing conditions of Bhutan. This scarcity contributes to their economic value, allowing for premium pricing and potential market differentiation.

Production and Export Preparations

In production, Bhutan Blossoms uses more than 25 different raw materials to manufacture six different products curated for the Australian market. Each raw material has its specific harvesting season and their processing is an ongoing operation at the Bhutan Blossoms processing unit in Thimphu throughout the year. Typically, a significant proportion of the raw materials amounting to approximately 60 to 70 percent by value are sourced from the Drachukha Flower Group (DFG) and their associated community. Raw materials such as edible flowers (Cornflower and Calendula) are dried by the DFG members at a temporary drying unit set up on a leased farmhouse in the village. The rest of the raw materials are subsequently sent fresh to the Bhutan Blossoms processing unit in Thimphu. These fresh raw materials undergo further processing, including cleaning, courting, drying, and conversion into flakes or powder. These processed raw materials are stored at the Bhutan Blossoms processing unit ready for packaging. Currently, approximately 80 percent of the raw materials are received in fresh form at the processing unit. However, Bhutan Blossoms has recently completed the construction of a processing unit in the Drachukha community and initiated a partnership with another community in southern Bhutan for raw material production and processing. Consequently, a significant proportion of the raw materials are expected to be received in pre-processed form (flakes/powdered) from the two sources. This approach will significantly enhance the capacity and efficiency of the operations.

Supply Chain and Raw Material Preparation

The quantities required for the Australian orders led Bhutan Blossoms to initiate this more efficient means of production. With this new set up, the majority of raw materials will now be pre-processed and stored in advance at the processing unit. The level and activity of the downstream processing required in Thimphu will now largely depend on the size of any given order. Year-round inventory management is required as some of the raw materials are only seasonably available, which has necessitated careful planning, inventory management, and secure and appropriate storage capacity.

Production

The following table indicates production for the most recent order from Harris Farm Markets placed in January 2022. This represented significant upfront investment by Bhutan Blossoms.

Order Size - 2 Tons

	PRODUCT	Quantity of Products (Packs)
1	TREE TOMATO RISOTTO	2016
2	BHUTANESE MOUNTAIN TEA	2016
3	BHUTANESE FIERY BOUQUET	2048
4	HIMALAYAN FLOWER MIX	2048
5	SZECHUAN PEPPER HIMALAYAN SALT MIX	2048
6	TREE TOMATO HIMALAYAN SALT MIX	2048
	TOTAL	12,224

- Production duration for the above products and quantity was approximately 3 months.

Packaging

Bhutan Blossoms utilised polypropylene packaging sourced from a European company to protect the products during the lengthy shipping process. While propylene is not the most sustainable option, it's an environmentally conscious alternative that offers a range of benefits over other materials. Unlike other forms of plastic packaging, polypropylene packaging does not release toxins into the environment and has a relatively low carbon footprint. It is also safe for human health. It is worth noting that polypropylene only takes around 20-30 years to degrade, unlike polyethylene and polystyrene which take over 500 years.

In preparation for the export, the products were packed in the individual bags which were then stacked in a small carton box that can fit between 9-20 products. 8 units of the smaller cartons were then packed in a master (large) box which was then wrapped in thin plastic film. This ensured the safety and freshness of the products throughout the long shipment process. This level of manual handling and packaging is an extra cost that will likely be experienced by any exporters. The export journey from Bhutan is lengthy and packaging should account for the duration and condition of export.

It is worth noting that the Australian consumer is not only interested in the sustainability of the product inside the packaging, but all aspects of the product's supply chain. Exporters need to be conscious and if possible, ensure the highest level of sustainable practices at all points along the supply chain.



Shipment



Bhutan Blossoms partnered with Bhutanese shipping agent 'Tamu Worldwide Shipping Pvt. Ltd.', one of the very few local shipping agents in Bhutan. In the first week of April, the order was shipped (via sea) to Australia via Kolkata, India. After four weeks of transit, the shipment reached the Harris Farm Markets warehouse in Sydney, with delivery completed in the first week of May. Thus, the entire process, from the initial shipment to the final delivery took approximately four months. The long lead time for delivery is a key issue for exporters to consider. Exporters should explore with their customers if there are alternative payment terms available to allow access to milestone payments through the export process. In addition, ensuring adequate insurance and some contingency is in place for unforeseen delays will subsequently enhance profitability.

Custom Duties, Tariffs and Biosecurity

Food imports to Australia will attract a range of import charges as follows:

Goods and Services Tax (GST) on imports is payable by the importer of the goods at the same time and in the same manner as customs duty is paid. GST on imports is calculated at 10 percent of the value of the taxable importation.

The value of the taxable importation is the sum of:

- The customs value of the imported goods.
- The amount paid or payable for the international transport of the goods to their place of consignment in Australia and to insure the goods for that transport.
- Any customs duty payable in respect of the importation of the goods.
- Any wine tax payable in respect of the local entry of the goods.

For sizable imports, GST can be a considerable expense that needs to be planned for ahead of time. The amount of customs duty payable on imports to Australia will vary depending on several factors including the type of goods being imported, the country of origin, and the value of the finished goods.

In general, most goods attract a 5 percent duty on the Free On Board (FOB) value. It's worth noting that not all goods are subject to customs duty in Australia. At the time of development of this case study, Bhutan does not have a free trade agreement with Australia. This means that customs duty fees and GST costs will be paid upon arriving in Australia.

Australia has very strict biosecurity laws for food imports, this can be a complex procedure for many first time exporters. The Federal Government has a strict biosecurity system administered by the Department of Agriculture, Water and the Environment (DAWE). The conditions for importing goods can be checked on the Department's website known as the Australian Biosecurity Import Conditions (BICON). BICON - Australian Biosecurity Import Conditions (www.agriculture.gov.au) BICON is a primary tool for checking the regulations regarding the importation of goods.

Phase 1

Bhutan Blossoms prepared for their first export to Australia with an initial investment of approximately BTN 2 million (A\$ 37,180.60). The majority of this investment was funded through a combination of support from the government, non-government organisations and from Bhutan Blossoms itself. The entirety of these funds were spent during the lengthy process of export.

Below is a breakdown of how the funds were spent:

Rebranding	A\$ 7,260 (corporate design/new logo, redesign of labels, brand presentations, font purchase, etc.)
Packaging solution development	A\$ 1,512 (design and production of carton boxes, logo printing, sample deliveries)
Building Inventory	A\$ 18,337 (building inventory of labels, packaging materials, raw materials, etc.)
Processing activity upgrade	A\$ 4,584 (machineries and equipment purchase)
Prototyping	A\$ 16,809 (allocation of shipping agents, logistic costs, etc.)

The first export was worth over A\$ 13,000 (BTN 700,000) in value with a small selection of products as a pilot consisting of *Himalayan Flower Mix*, *Bhutanese Mountain Tea*, *Szechuan Pepper Himalayan Salt mix* and *Tree Tomato Risotto*.

To help mitigate cash flow issues, Bhutan Blossoms reached an agreement with Harris Farm Markets to receive payment within 30 days of delivery of the products at the warehouse in Sydney which was finalised accordingly. In many

cases exporters should be aware that the retailer in Australia may only remit funds once the goods are sold in store which would further delay payments and is out of the control of the exporter. Exporters should develop a realistic cash flow model and discuss the implications with their potential customers in Australia so they don't over commit their resources.

Challenges

The first export, although much smaller in size, faced many difficulties during execution since it was Bhutan Blossoms' very first export to Australia. The challenges were related to labelling, rebranding and packaging solutions and low quantity of exported goods. It features necessitated higher levels of investment due to the unforeseen nature of these challenges. Most of the labelling and rebranding requirements were not fully anticipated due to the lack of on-the-ground resources and lack of expertise in Australian retail market. For instance, Bhutan Blossoms did not have a distribution partner in Australia to assist with labelling requirements; nutritional values, bar codes, distributor address, etc. It is crucial that exporters are aware of these standards before embarking on an export. Listed below are some of the key challenges experienced by Bhutan Blossoms as a first-time exporter.

Limited Logistic Experience and Higher Costs

As Bhutan Blossoms embarked on its first export to Australia, the lack of prior logistic experience posed difficulties. The company encountered higher logistic costs due to the relatively small volume being exported, making it necessary to navigate unfamiliar shipping routes and optimise transportation methods. Exporters should consider the overall cost of an export and the minimum economic order quantity; the economic returns may be better if a larger shipment is delivered. Another option as outlined in the accompanying video is to collaborate with other exporters on a shipment to help spread the cost of shipping with other exporters. In general, the larger an export size, the smaller the cost per unit of the export for the exporter, as there is a significant fixed cost component for any export that can be spread across multiple exporters.

Labelling

Bhutan Blossoms had to redesign their labels as they did not meet the Australian Standards for labelling in the first export. The Australian Border Force requires that imported goods meet the labelling requirements which include trade descriptions, country of origin and food information. While not all imports require labelling, food products require specific standards and strict regulations mandated by the Australian Government to ensure food safety and consumer protection. These requirements called for a complete overhaul of their product labels which also required better packaging fit for the long shipping process. Initially, the products chosen for export lacked the basic standards of labelling such as nutritional values, bar codes and distributor address. In part this was owing to the absence of a distribution partner in Australia. Accordingly, the products required a complete refurbishing before it could be shipped to Australia.



Before



After

Rebranding

Rebranding was essential in the initial stages due to potential barriers in international markets like Australia. The company rebranded from 'Druk Metho' to 'Bhutan Blossoms' taking relevance in the Australian Market into consideration. The term 'Druk Metho' has potentially undesired connotations in Australia which could impact the appeal of the product. (In Australia, "Metho" relates to a toxic alcohol based cleaning fluid - not something you want associated with an organic food brand). To establish a stronger and more aligned market presence, the company undertook a rebranding effort to create a more appealing and market-appropriate brand identity. Exporters to new markets should carefully consider local language, customs and products when designing any new branding and packaging.



Before



After

Packaging Solutions

Efficient packaging solutions were not in place at the time of the first export, hence Bhutan Blossoms selected new packaging with polypropylene plastic packaging material sourced from a European company. To protect products from the long shipping process, the company used small carton boxes to fit approximately 9-20 products. 8 of these boxes were packaged in a larger box (a master box) that is further wrapped to protect the products in the shipment process. This ensured the safety and freshness of the products upon reaching the destination. The cost of the packaging and time to design and implement the packaging was not very a insignificant issue.

Tariffs and Duties

Tariffs and Duties are paid upon arrival in Australia, which is a requirement for Bhutanese exports as there is no free trade agreement in place at this time. New exporters should research ahead of actual transportation, the tariffs and duties that their goods will attract upon arrival in Australia.

Phase 2

The second export endeavour was considerably smoother for Bhutan Blossoms as the necessary requirements had been established, based on their prior experience. The second export was a much bigger transaction valued at over A\$ 72,000/BTN 3.8 million. However, the larger volume posed certain challenges, particularly in terms of production and other resources required to build and manage the inventory. Bhutan Blossoms exported a total of 12,224 food packages to Harris Farm Markets in 2022 which took a total of three months in production of raw materials.

Although the sales from the first export were quicker, the second phase sales are steady with currently 60 percent of the delivery remaining at the warehouse. This makes the agreed payment terms of “payment on delivery” critical for the profitability of the exports for Bhutan Blossoms.



Navigating Legal Procedures and Documentation

Exporting food products to a foreign market necessitated addressing complex legal requirements and documentation procedures. Bhutan Blossoms encountered high legal costs due to the lack of appropriate support in Australia (i.e. a licensed agent/customs broker) and faced difficulties in obtaining certificates to comply with Australian import regulations.

However, the mitigation of these challenges were facilitated by strategic investments and support from various stakeholders. Although Bhutan enjoys a high level of respect and goodwill among many Australians, as at the time of writing, there are no formal programs to connect Australian based retailers with Bhutanese exporters or vice versa. Building connections with the Embassy of Bhutan in Canberra and relevant agencies in Bhutan will inform potential exporters. Future exporters to Australia should also seek to leverage any existing informal connections or seek to establish relationships ahead of export projects. The support from the Royal Government of Bhutan played a significant role, with the Department of Agricultural Marketing and Co-operatives (DAMC) covering initial export costs and ertswhile Bhutan Agriculture and Food Regulatory Authority, now renamed as Bhutan Food and Drug Authority, providing essential nutritional value testing for product labelling. Grants from USAID through the Loden Foundation contributed to rebranding, packaging solutions, and logistics prototyping. Furthermore, the JICA Go Global grant played a crucial role in expanding inventories, covering export logistic costs, and professionalising processing activities while helping to expand farming communities. The collaborative efforts of various stakeholders including the Cottage and Small Industries market minimised the various legal and logistical costs

The table below outlines the support provided by each of the above organisations at various stages of the project:



DAMC, Royal Government of Bhutan	Initial investments, covering approximately 70 percent of the first export costs
USAID (with facilitation support from Loden Foundation and Bhutan Foundation)	Providing grants, rebranding, developing packaging solutions, prototyping logistics.
JICA Go Global	Covering export logistic costs, and professionalising processing activities while helping to expand farming communities
CSI market	Sales, Export procedures (eg: logistics)
BAFRA/BFDA	Providing essential nutritional value testing for product labelling



Market Niche and Future Prospects

Being a niche agricultural social enterprise from a country with a strong reputation in sustainability has facilitated Bhutan Blossom's entry into the Australian market. However, expanding beyond this niche will require a comprehensive marketing approach to reach a wider consumer base. Enhancing marketing efforts, including brand promotion, and establishing distribution networks, will be crucial for its long-term success and growth in Australia. To date, while various marketing strategies have been discussed, the absence of resources has limited its execution.

Bhutan Blossoms implements a unique profit-sharing model, wherein 60 percent of the annual company profit is allocated back to the farming communities. Under this model, 20 percent of the profit is directly distributed to the members of the farming partner, and the remaining 20 percent is contributed to the entire community as the Community Development Fund. This decision by Bhutan Blossoms is a key differentiator from the Australian consumer's perspective.

Bhutan Blossom's organic and unique value proposition has the potential to establish itself in the culinary interests of a segment of Australian consumers. The high demand for decorative organic food products like the Himalayan Flower Mix and Bhutanese Fiery Bouquet may increase as the average household demand for organic produce within Australia increases. The Australian Organic Market Report reveals that 37 percent of organic shoppers increased their household food allocation to organic in 2020 and 63 percent of the average shoppers believe that 'chemical-free' is the primary benefit of organic products.

While Bhutan Blossoms satisfies these demands, it is essential that the company adopts suitable marketing measures to establish its status in the appropriate segments of the Australian market. Some of these strategies are:

- **Processing** - Handmade workmanship is a high value attribute and most consumers appreciate traditional workmanship. With Bhutan Blossoms upholding unique farming practices, it is important that the label indicates the hand made process of production.



- **Diversity** - Diversity of products is another aspect where a niche producer like Bhutan Blossoms could attract consumers eager for exotic and authentic products. A wide range of authentic Bhutanese products could leave customers with an array of different choices.
- **Transparency** - When it comes to organic products, consumers prefer to have an understanding of the product's origin alongside the process of production. It is crucial that the labelling contains the product's origin and the resources utilised in the process.
- **"Niche" products** - Bhutan Blossoms produces niche products with limited supply adding to its premium value. Niche products have an appeal against large-scale and processed food products sold in supermarkets, as their value is easily comprehensible to buyers. This aids the products to be sold at a higher cost. Thus, further diversification of niche products could attract more buyers and an amplification of marketing strategies could elevate its demand.
- **Quality differentiation** - Bhutan Blossoms takes pride in producing high-quality products suited for everyday consumption. Unlike highly processed supermarket products that are offered at a lower cost, Bhutan Blossoms' organic high-quality standards come at a reasonable cost. As its quality remains unchallenged, this differentiation through marketing schemes could highly benefit the producers.
- **The image of farmers** - Building a relationship between the farmer and the consumer is a crucial aspect of selling organic products. The pre-existing knowledge of farmers' efforts can be displayed on the label for a consumer to grasp and appreciate. Bhutan Blossoms as a wonderful exemplar of traditional farming practices, could highlight this aspect to enhance the appeal of the product and packaging.



By adopting strategic marketing techniques, Bhutan Blossoms and other exporters could add to its economic value and enhance its market niche. This will allow for expansion of exports through new distribution networks and consequently attract a larger cohort of buyers in Australia.



Recommendations

- **Trade Agreements and Diplomacy:** Government agencies should work towards negotiating and establishing favourable trade agreements (free trade agreements), reducing tariffs, and addressing regulatory barriers to facilitate the smooth flow of agricultural products between Bhutan and Australia. Currently, Bhutan and Australia do not have a free trade agreement which incurs import costs posing barriers to exporters. While Bhutan is in the process of processing WTO membership, it will be worthwhile exploring strategies to reduce barriers that will ease building and diversifying trade ties between the two countries.
- **Market Research and Intelligence:** Collaborate with relevant agencies to conduct comprehensive market research in Australia to identify specific agricultural products in demand, consumer preferences, and emerging trends. This information can guide Bhutanese farmers in aligning their production with Australian market needs.
- **Quality Standards and Certifications:** Government agencies should assist Bhutanese farmers and exporters in meeting Australian quality and safety standards. Providing guidance on certifications such as organic, fair trade, or other industry-specific labels can enhance the marketability of Bhutanese products.
- **Capacity Building and Training:** Offer training programs for Bhutanese farmers and producers in best agricultural practices, post-harvest handling, packaging, and compliance with Australian regulations. This will improve the overall quality of exported goods.

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- **Collaboration Between Farmers and Local Food Producers:** Facilitate engagement and collaboration between Bhutanese farmers to participate in export productions. This will allow farmers to gain knowledge in Australian standard requirements and explore opportunities to promote and export niche products.
 - **Promotion and Branding:** Collaboratively develop a strong Bhutanese agricultural brand in Australia, highlighting the unique qualities and cultural aspects of Bhutanese products. This branding effort can create a distinctive identity that resonates with Australian consumers.
 - **Trade Missions and Expos:** Organise trade missions, participation in international agricultural expos, and networking events to connect Bhutanese producers with Australian importers, distributors, and retailers. This will facilitate direct business relationships and increase awareness of Bhutanese agricultural offerings.
 - **Customs and Logistics:** Streamline customs procedures and logistics to reduce time and cost inefficiencies in the import-export process. Simplified paperwork and efficient transportation can encourage more businesses to engage in cross-border trade.
 - **Financial Support and Incentives:** Provide financial incentives, grants, or subsidies to encourage Bhutanese farmers and exporters to explore the Australian market. This can help offset initial costs and risks associated with entering a new export market.
 - **Economic and Technical Assistance:** Collaborate with Australian counterparts to offer technical assistance, knowledge sharing, and joint research initiatives that benefit both countries' agricultural sectors.
 - **Regular Stakeholder Engagement:** Establish a structured mechanism for ongoing dialogue between government agencies, industry associations, and private sector stakeholders. Regular consultations can address challenges



and identify new opportunities to strengthen the bilateral agricultural trade relationship. This will benefit exporters and other stakeholders to exchange information.

- **Preferential Market Access:** Negotiating preferential market access with Australia will allow Bhutan to experience reduced tariffs and import costs upon LDC graduation. As Bhutan is set to graduate in December 2023, it will minimise the possibility of experiencing lower import costs. Hence, it will benefit both Bhutan and Australia to maintain preferential market access with negotiated export benefits.





Tashi Delek! Good luck to all exporters for their future endeavours. We hope you find this case study helpful.



