



Department of Agricultural Marketing & Cooperatives
JICA Bhutan Office

Study conducted by



Market Survey Report on Bhutanese Agricultural Products (Singapore, Malaysia and Thailand) March 2023





Market Survey Report
on
Bhutanese Agricultural Products
(Singapore, Malaysia and Thailand)
March 2023

REPORT OVERVIEW:

This report, submitted by Business Engineers Asia (BEA) Singapore, is under the preview of Japan International Cooperation Agency (JICA) Bhutan Office's request and structure. JICA Bhutan wishes to understand the actual situation of supply chain, the potential of Bhutanese agricultural products and any potential partner companies based on the market visits done, including meeting with various stakeholders in Singapore, Malaysia and Thailand. The focus of the report, structured under the **Renewable Natural Resource Marketing Strategy 2021**, is as follows:

“Royal Government of Bhutan considers the export promotion of agricultural products as one of its marketing strategies (Renewable Natural Resource Marketing Strategy 2021) and targets high-value-added agricultural products for high end customers living in neighboring countries. Although it is alleged that there is market potential and demand for Bhutanese agricultural products in the export markets, particularly in neighboring ASEAN countries like Singapore, Malaysia and Thailand, no confirmed studies and focused assessment or surveys had been done. Much is what has been learned from hearsay, informal communications, and desktop research by the government officers.”

Based on listed requirements, BEA has structured the report based on Singapore, Malaysia and Thailand. As shared in BEA's disclaimer in Form TECH-1, Technical Proposal Submission Form (dated 25/12/2022), BEA's core market is Singapore and both Malaysia and Thailand are secondary markets that BEA is undertaking for this survey with the aid of BEA's network of partners in both Malaysia and Thailand, including joint visits, where needed. BEA does not claim to be the core market specialist in Malaysia and Thailand; Singapore is our core market and market of expertise, hence report's structure will have more focus on Singapore, having both Thailand and Malaysia in the report as well.

BEA has structured each country's report based on

- Overview of the country: Singapore / Malaysia / Thailand
- Import laws and regulations, including certification system, where applicable
- Overview of meetings (summary)
- Potential products for exports into Singapore / Malaysia / Thailand
- Potential partner companies for exports into Singapore / Malaysia / Thailand
- Cost analysis of products for exports into Singapore / Malaysia / Thailand
- BEA's proposed (overview) of 'Agriculture Production Exporting Plan' or BEA's newly termed 'Agriculture Production and Processed Food Exporting Plan'

Market Survey Report
on
Bhutanese Agricultural Products
Singapore

March 2023

OVERVIEW SINGAPORE MARKET

Singapore is a sunny, tropical island in South-East Asia (ASEAN), off the southern tip of the Malay Peninsula (Malaysia). The city-state is **710 square kilometers** and inhabited by **5.8 million people** from four major communities, namely the **Chinese (72%)**, the **Malay (16%)**, the **Indian (9%)** and Eurasian & others. With a **near even gender ratio** (males – 49%, females – 51%), Singapore’s resident population is continuing to age, with a current median resident age of 42.1 years old (as of June 2022) and the proportion of Singapore residents aged 65 years and over, close to 16.6% (2022).

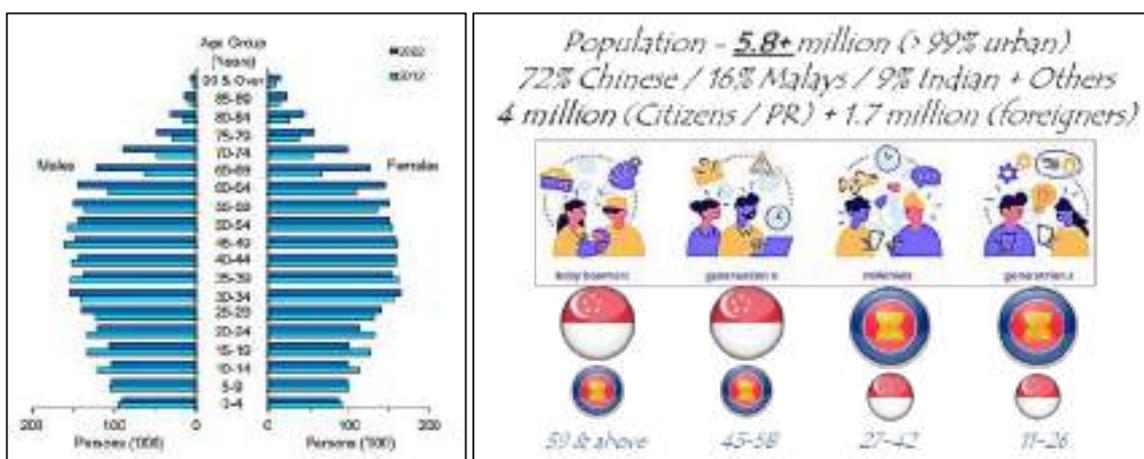


Table (left): Age pyramid of resident population (2022); Source: Singapore Department of Statistics
Diagram (right): Overview of population & age comparison between Singapore & ASEAN; Source: BEA

Ideally positioned in ASEAN, Singapore is a thriving metropolis offering an excellent infrastructure and a fully integrated island-wide transport network. Singapore’s international logistics hub status is supported by **flight connections to 380 cities in 90 countries** and **sea connections to 600 ports in 123 countries**. In addition, the dynamic business environment and Government support caters to a host of regional and bilateral Free Trade Agreements (FTA) in three main areas of Trade In Goods, Trade In Services and Investment.

Singapore’s rich culture largely influenced by the four major communities with each offering different perspective of life in Singapore in terms of culture, religion, food, language and history creates a **diverse consumer profile**, increasing the need for product differentiation and meeting demands of the diverse consumer needs. However meeting the needs remains a big challenge for Singapore due to its limited resources, especially farming land. Hence, Singapore **imports over 90% of the food consumed** as our local farms produce only a small amount of food (example: 13% of all the vegetables, 9% of all the fish, etc.)



Diagram: Logistical connectivity of Singapore to Asia Pacific. Source BEA presentation



Diagram: Logistical connectivity & facilities within Singapore. Source Singapore Logistics Academy

Food Imports – Top 10 Imports (Singapore)

Overview of Singapore’s key partners in food exports for the years of 2020 and 2021, taking into consideration, statistics picked just before COVID19’s deep impact and the impact of post COVID19, to have a balance reflection for analysis purposes.

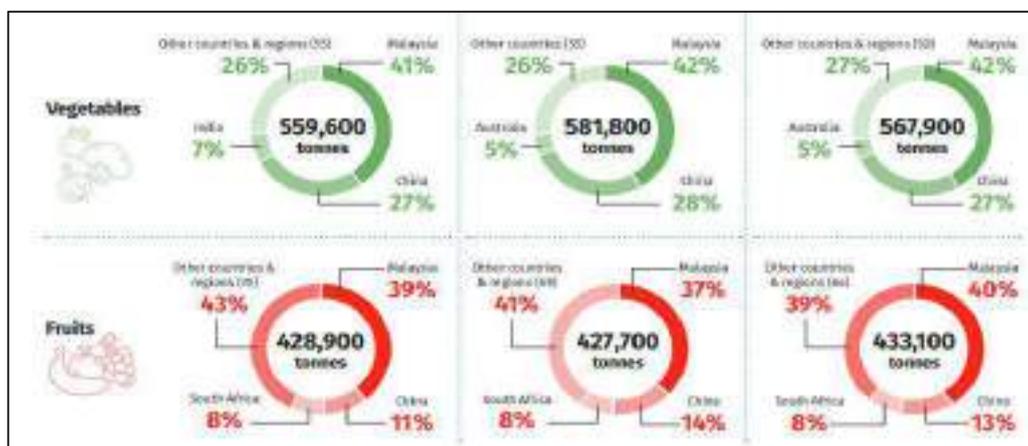


Diagram: Singapore Food Statistics 2021 for import of fruits and vegetables; Source SFA Report



Diagram: Singapore Food Statistics 2021, overview; Source SFA Report

Singapore’s dependence on food imports and increased food security has also meant that there is an extensive reach and search for additional food sources – reliable food sources. This clearly paves an important market entry opportunity for Bhutan products (fresh to processed), to have market entry opportunities and importantly, market positioning for growth as well.

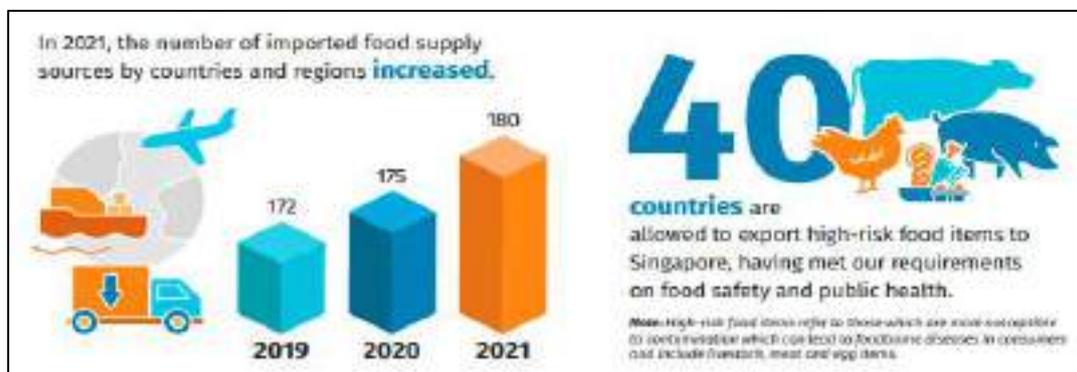


Diagram: Singapore Food Statistics 2021, overview; Source SFA Report

Available statistics show that Bhutan has engagements with Singapore. Singapore’s imports from Bhutan based on data from WITS (World Integrated Trade Solution), for the year 2020, are as follows:

SINGAPORE – BHUTAN TRADE STATS:

2020-WITS → USD 38K (“vegetables” imported into Singapore)

2020-WITS → USD 53K (“food” imported into Singapore)

2020-WITS → USD 38K (“agriculture raw materials” imported into Singapore)

2020-WITS → USD 18K (“food products” imported into Singapore)

Reporter Name	Partner Name	Year	Trade Flow	Product Group	Import (US\$ Thousand)
Singapore	France	2020	Import	Food Products	\$ 1,163,501
Singapore	Malaysia	2020	Import	Food Products	\$ 918,820
Singapore	China	2020	Import	Food Products	\$ 631,551
Singapore	United Kingdom	2020	Import	Food Products	\$ 624,085
Singapore	Indonesia	2020	Import	Food Products	\$ 571,389
Singapore	United States	2020	Import	Food Products	\$ 433,753
Singapore	Thailand	2020	Import	Food Products	\$ 337,002
Singapore	Australia	2020	Import	Food Products	\$ 217,657
Singapore	Japan	2020	Import	Food Products	\$ 205,596
Singapore	Vietnam	2020	Import	Food Products	\$ 127,728



2020, WITS (World Integrated Trade Solution); Singapore imports stats “*food products*”, globally

Reporter Name	Partner Name	Year	Trade Flow	Product Group	Import (US\$ Thousand)
Singapore	Indonesia	2020	Import	Agricultural Raw Materials	\$ 450,995.44
Singapore	Malaysia	2020	Import	Agricultural Raw Materials	\$ 112,403.17
Singapore	United States	2020	Import	Agricultural Raw Materials	\$ 63,842.05
Singapore	China	2020	Import	Agricultural Raw Materials	\$ 36,780.67
Singapore	Gabon	2020	Import	Agricultural Raw Materials	\$ 29,226.81
Singapore	Japan	2020	Import	Agricultural Raw Materials	\$ 26,608.12
Singapore	Germany	2020	Import	Agricultural Raw Materials	\$ 16,827.96
Singapore	Sweden	2020	Import	Agricultural Raw Materials	\$ 16,363.88
Singapore	Finland	2020	Import	Agricultural Raw Materials	\$ 10,900.16
Singapore	Australia	2020	Import	Agricultural Raw Materials	\$ 10,147.11



2020, WITS (World Integrated Trade Solution); Singapore imports stats “*agricultural raw materials*”

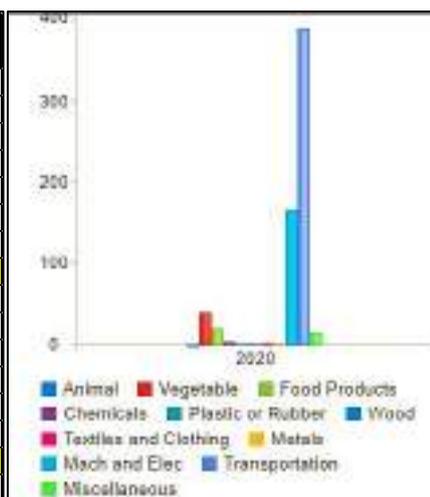
Reporter Name	Partner Name	Year	Trade Flow	Product Group	Import (US\$ Thousand)
Singapore	Malaysia	2020	Import	Vegetable	\$ 917,051.59
Singapore	United States	2020	Import	Vegetable	\$ 678,209.34
Singapore	China	2020	Import	Vegetable	\$ 532,853.70
Singapore	Indonesia	2020	Import	Vegetable	\$ 433,822.74
Singapore	Australia	2020	Import	Vegetable	\$ 412,231.50
Singapore	Thailand	2020	Import	Vegetable	\$ 261,810.84
Singapore	India	2020	Import	Vegetable	\$ 156,584.36
Singapore	Vietnam	2020	Import	Vegetable	\$ 139,796.63
Singapore	New Zealand	2020	Import	Vegetable	\$ 97,180.21
Singapore	Japan	2020	Import	Vegetable	\$ 86,635.44



2020, WITS (World Integrated Trade Solution); Singapore imports stats “*vegetables*”

It is important to identify Singapore’s distinct opportunity (due to our lack of resources) and the Government has a continued push to have more partners (due to our food security initiative). Hence, Bhutan will always have an opportunity, but it is about capitalizing on these opportunities with action steps of not just market entry into Singapore, but using Singapore as a re-export base to ASEAN or beyond.

Reporter Name	Partner Name	Year	Trade Flow	Product Group	Import (US\$ Thousand)
Singapore	Bhutan	2020	Import	All Products	630.53
Singapore	Bhutan	2020	Import	Capital goods	153.69
Singapore	Bhutan	2020	Import	Consumer goods	46.59
Singapore	Bhutan	2020	Import	Intermediate goods	395
Singapore	Bhutan	2020	Import	Raw materials	35.18
Singapore	Bhutan	2020	Import	Animal	1.23
Singapore	Bhutan	2020	Import	Chemicals	3.6
Singapore	Bhutan	2020	Import	Food Products	18.54
Singapore	Bhutan	2020	Import	Mach and Elec	163.94
Singapore	Bhutan	2020	Import	Metals	0.77
Singapore	Bhutan	2020	Import	Miscellaneous	13.97
Singapore	Bhutan	2020	Import	Plastic or Rubber	0.07
Singapore	Bhutan	2020	Import	Textiles and Clothing	0.74
Singapore	Bhutan	2020	Import	Transportation	389.18
Singapore	Bhutan	2020	Import	Vegetable	38.48
Singapore	Bhutan	2020	Import	Wood	0.02



2020, WITS (World Integrated Trade Solution); Singapore imports from Bhutan

Understanding that demand will continue to increase, there will always be a focus for food imports with the need to cater for food security - 5.8 million local & foreign residents. However there is an **untapped (potential) on the upcoming surge in demand** to cater for an increase in tourist arrivals in the coming (post COVID-19) years as well. Pre-pandemic year of 2019, Singapore had **19 Million tourists**, who spent **SGD 2 Billion on food & beverage** in Singapore. Singapore is estimating to hit only about 10~12 Million tourists for 2023 and the numbers are expected to increase in the coming years.

In conclusion, the demand for food, from processed food products to raw food products – agricultural products will continue to rise, over the next few years, fueled by

- internal factors: domestic consumption (in Singapore)
- external factors: rise in tourism in Singapore (increase in food services) and an increased food value addition process within Singapore to cater for the ASEAN region plus increased transshipment opportunities as post-COVID19 recovery takes place.

SINGAPORE IMPORT LAWS – REGULATIONS

The Singapore government’s food import policy is to guarantee a steady and sufficient supply of healthy and quality foods from a broad number of countries. With a very **import friendly approach** (tariffs are imposed on liquor only). With the exception of rice, there is no quantitative restriction on import, export or domestic sales controls on agricultural products. Importers must ensure that the food imported for sale in Singapore must be safe for consumption and meet Singapore Food Agency’s (SFA) food safety regulations and requirements. Only traders who are licensed or registered with SFA can import food for commercial sale. Imported food may be subjected to inspection and sampling for food safety and unsafe food will not be allowed for sale. To ensure smooth imports and re-exports, Singapore maintains a system of strict sanitary and phyto-sanitary requirements. It is important for the importer/trader (and the exporter) to ensure that goods imported into Singapore are of quality and documentations are immaculate. Documentations are critical for smooth exports with Singapore being a transshipment hub for the regional markets.

Fresh Produce – Import Requirements:

The import of fresh fruits and vegetables are regulated under the *Control of Plants Act (Attachment 1)*. Fresh fruits and vegetables can be imported from any country provided they meet SFA's conditions. It is important to note that under SFA's guidelines, 'fresh fruits and vegetables' refer to raw and unprocessed fruits and vegetables; Fruits and vegetables which have undergone some processing such as cutting, peeling, canning and freezing are regulated as processed food.

For Bhutan's fresh produce (fruits and vegetables) to be imported into Singapore, it is a simple 2 step process as follows:

Step 1:

Ensure that produce (vegetables & fruits) should not contain any prohibited pesticide, and the levels of pesticide residue or toxic chemical residue should not exceed the prescribed levels. This in accordance to the *Control of Plants Act (Import & Transshipment of Fresh Fruits & Vegetables Rules, - Attachment 1)*. In summary, imported fresh fruits and vegetables must not contain any prohibited pesticide, or levels of pesticide residue or toxic chemical residue exceeding the prescribed levels specified in the *Ninth Schedule of the Food Regulations (Attachment 2)* or recommended in the *Joint FAO/WHO Codex Alimentarius Commission*.

(Note: <https://www.fao.org/fao-who-codexalimentarius/home/en/>)

Step 2:

Ensure that the containers (example: cartons / baskets / bags / etc.) are properly labeled - accurate and complete, by indicating **3 key points** of

- Name and address of the producer
- Product description
- Date of export/packing

It is important to understand that upon landing in Singapore, especially for the first few consignments, the consignment of fresh produce will be subjected to a 100% inspection by SFA. It is highly recommended that each consignment come with a Bhutan Government approved laboratory sanitary certificate or pesticide free certificate, based on *Ninth Schedule of the Food Regulations (Attachment 2)*, where possible. The available documents will facilitate for faster clearances and approvals. Further consignments, based on SFA's positive inspections records will lead to minimal or spot inspections only. It is also important to note that the Importer On Record (IOR) must have the valid import permit and together with the forwarder, ensure that documents such as bills of lading, air waybills and invoices are available.



Singapore Food Agency

52 Jurong Gateway Road #14-01 Singapore 608559

LICENCE FOR IMPORT/TRANSHIPMENT OF FRESH FRUITS AND VEGETABLES

CONTROL OF PLANTS ACT, CHAPTER 57A, Control of Plants (Import & Transhipment of Fresh Fruits and Vegetables) Rules.

Name of Licensee
BUSINESS ENGINEERS ASIA PTE. LTD.

Unique Entity No.
201935949M

Business/Company Name & Address
BUSINESS ENGINEERS ASIA PTE. LTD.

Expiry Date
30/04/2023

28 RIVERSIDE ROAD
#05-01 PROGEN BUILDING
SINGAPORE 739085

The licensee may import and/or tranship fresh fruits and vegetables subject to the following conditions:

1. The licensee must obtain a permit from the Director-General, Food Administration for the import of each consignment of fresh fruits and vegetables.
2. The import or transhipment of fresh fruits and vegetables is subject to the provisions as stated in the Control of Plants (Import & Transhipment of fresh fruits and vegetables) Rules and to any additional conditions as imposed by the Director-General, Food Administration.
3. The Director-General, Food Administration may restrict or prohibit the import or transhipment of any fresh fruits and vegetables from any country, territory, place or farm.
4. Fresh fruits and vegetables imported must not contain levels of pesticide residue or toxic chemical residue exceeding those prescribed under rule 9 of the Control of Plants (Import & Transhipment of fresh fruits and vegetables) Rules.
5. At the time of import, the container (including any basket, carton, bag, box, packet or other receptacle) which contains the fresh fruits and vegetables must bear the name and address of their producer and such other particulars as may be required by the Director-General, Food Administration.
6. All consignment of fresh fruits and vegetables are required to be stored in a coldroom licensed or warehouse registered with the Singapore Food Agency (SFA).
7. When any of the particulars of the company have been changed, the licensee shall inform the SFA within 14 days.
8. The licensee must maintain a GIRO account with SFA for the payment of annual licence fee and permit fees. Please note that before GIRO account with SFA is established, permit applications will only be approved after payment for the permit fee is made.
9. The Director-General, Food Administration may at any time vary or revoke of the existing conditions or impose new conditions.
10. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Control of Plants Act or any rules under the Act.

Sample Copy of Import Permit – Fresh Fruit & Vegetable

Processed Food - Import Requirements:

The regulations regarding processed food are relatively straight forward and it is under the importers preview to source products from regulated establishments where production is under proper sanitary conditions. SFA has no major strict guidelines for certifications for processed food, taking into consideration that importers abide by the *Ninth Schedule of the Food Regulations (Attachment 2)* and the safest guideline is to have a **Certificate of HACCP** (Hazard Analysis Critical Control Point) and **Certificate of GMP** (Good Manufacturing Practices) for a start for all products imported.

There are some processed foods that fall under the ‘Regulated Source Programme’ and the aim is to ensure the safety of high-risk products. For such processed food products, they must be manufactured in an establishment, which is under proper supervision of the food authority of the exporting country or region, or has a quality assurance program acceptable to SFA.

For imports of products under the ‘Regulated Source Programme’, documentary proof that the imported products are produced under sanitary conditions in a regulated establishment is required. This following set of documentations must be submitted to SFA for imports under the ‘Regulated Source Programme’ (documents to be submitted online prior to import for faster & smooth facilitation for import clearances & inspections, including SAF laboratory inspection, if needed)

- Certificate of HACCP (Hazard Analysis Critical Control Point)
- Certificate of GMP (Good Manufacturing Practices)
- Health Certificate issued by competent food / veterinary authority of exporting country
- Attestation of export issued by competent food / veterinary authority of exporting country
- Factory license issued by regulatory authority of the exporting country or region

S/No.	Types of products
1	Packaged mineral and drinking water and ice
2	Coconut milk and grated coconut, and nasi lemak
3	Infant cereals and infant formulas (Please refer to the Calculation guide for Infant formula to conduct self checking on the compliance of the nutritional composition of Infant formulas)
4	Land snails
5	Minimally processed fruits and vegetables
6	Pasteurised liquid milk
7	Traditional cakes (kueh kueh)
8	Cut sugarcane
9	Mooncakes

Table: Products under the ‘Regulated Source Programme’ – SFA Singapore

The food labelling requirements under the ‘Sale of Food Act’ and ‘Singapore Food Regulations’ are primarily to support food safety and SFA takes reference from the international food standards setting body - *Codex Alimentarius Commission*, when reviewing the labelling requirements for Singapore. The following requirements, listed below are a good guideline for food labeling of processed food:

*(Note: **MANDATORY** labelling information must be easy to see, clearly legible and should not be in any way hidden, obscured by any other written or pictorial matter. It should be printed in letters not less than 1.5 mm in height - lowercase of the printed alphabet must be at least 1.5mm in height. Mandatory labelling will also apply to pre-packed foods that are intended for human consumption and offered as a prize, reward or sample for advertising).*

- **MANDATORY:** Name Of Food
- **MANDATORY:** Statement Of Ingredients
- **MANDATORY:** Net Quantity (Weight / Capacity)
- Importer / Local Business Entity (resolved by sticker, as an easier option)
- Country of Origin
- Expiry Date
- Nutrition Informational Panel

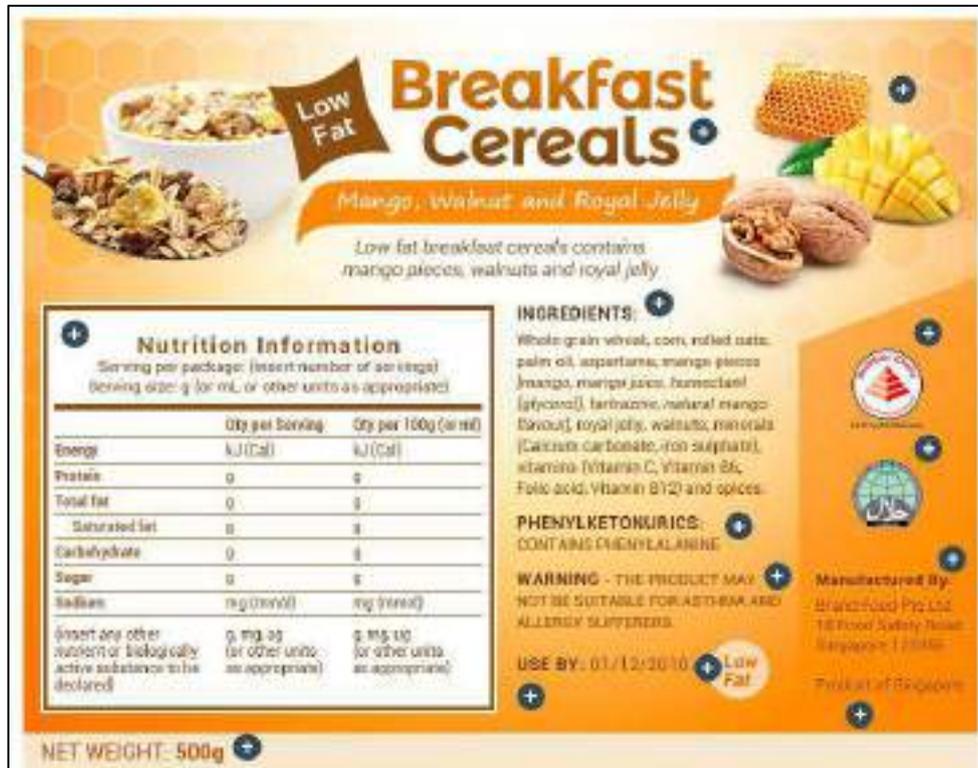


Diagram: Example of a well prepared label for Singapore; Source SFA Interactive Label

REGULATORY REQUIREMENTS



Singapore Food Agency

Safe Food For All

General Labelling Requirements

Basic Information (in English)

1. Name or description of food
2. Statement of ingredients
3. Country of origin of food
4. Declaration of net content in package
5. Name and address of the local manufacturer / importer
6. Declaration of foods and ingredients known to cause hypersensitivity, etc.

Note: Points 1-4, font size must be minimum 1.5mm in height

OIML R.79 → Labelling requirements for pre-packaged products

OIML R.87 → Quantity of product in pre-packages



Documents introduced to ASEAN food

International Standards of food packaging

C O D E X
ALIMENTARIUS
International Food Standards




Nutrition, Health & Other Claims: SFA adopts the guidelines & standards established by the international food standards body, the Codex Alimentarius Commission

Table: Summary of SFA's label requirement; Source BEA presentation

		Singapore Food Agency 82, Jurong Gateway Road #14-01 Singapore 608580	
REGISTRATION TO IMPORT PROCESSED FOOD PRODUCTS AND FOOD APPLIANCES			
Name of licensee BUSINESS ENGINEERS ASIA PTE. LTD.		Unique Entity No. 20193394PM	
Business/Company Name & Address BUSINESS ENGINEERS ASIA PTE. LTD. 28 RIVERSIDE ROAD #05-01 PROGEN BUILDING SINGAPORE 739086		Expiry Date 30/06/2023	
The licensee may import processed food and food appliances subject to the following conditions:			
<ol style="list-style-type: none"> 1. The licensee must obtain a permit from the Director-General, Food Administration for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 4. The Director-General, Food Administration may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment. 5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with the Singapore Food Agency (SFA). 6. When any of the particulars of the company have been changed, the licensee shall inform the SFA within 14 days. 7. The Director-General, Food Administration may at any time vary or revoke of the existing conditions or impose new conditions. 8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations. 			

Sample Copy of Import Permit – Processed Food Products & Food Appliances

SINGAPORE – MEETING SUMMARY

BEA structured the meetings in Singapore to cater for a broader participant experience under a practical and balanced approach, including market entry support, logistics, sales channels and stakeholders views from both the local and foreign government agencies to local and foreign businesses in Singapore. The focus was to offer practical meetings providing ground level information and visits to offer differentiated channel management expectations including a visit BEA’s fulfilment hub for e-commerce management. BEA supported the delegation with a Masterclass Session on ‘Singapore Market’, to lay the foundation and manage expectations of the delegation and stakeholders. (*Attachment 3: Singapore Market, Masterclass presentation*)

- retail visit to premium supermarkets (Little Farms, Cold Storage Fresh, Jason’s, NTUC Finest), to mid range supermarkets (NTUC Fairprice)
- wet market (Little India)
- government agencies of Enterprise Singapore (ESG), Singapore Business Federation (SBF) and Poland Investment & Trade Office (PAIH)
- local businesses (Sri Ambikas, EPIC Technology, Nature’s Superfoods, SVASTI, Quanfa Farms)
- foreign business with Singapore base and operations (ART Fruits – Turkey)
- logistics, including international freight forwarding (Sparkle Logistics)

A host of points were discussed and based on the different stakeholders from the Bhutan delegation, each having their own specific set of requirements, scope of support, etc. BEA's main take away had to differ from JICA's list & primary request as BEA captured a broader expectation from the participants taking into consideration the agricultural focus of JICA. BEA had to review this survey from a 'ONE BHUTAN' mindset (and perspective) vs the mindset of just a specific set of agricultural products and the mindset of respective members of the delegation. This was an important element to capture to ensure better success for this survey.

In short, based on the members of the delegation and their sharing of new products, critically scrutinizing the agricultural list of JICA, BEA had to review and capitalize on new opportunities in Singapore that were existing opportunities in Bhutan. Having to undertake and review all the feedback from the delegates, JICA and various external stakeholders, BEA's key (consolidated) takeaway for Singapore is focused on:

- 1) **Lack of Awareness – Product Profile:** All the meetings, regardless of business or organization type, had one common point about Bhutan – NO one knew what Bhutan had to offer from both an agricultural – raw product offering to a processed product offering, be it food or non-food. That lack of awareness, from a product profile, is an important aspect that needs to be immediately addressed as it shows a distinct lack of MARCO LEVEL awareness creation from the Bhutan stakeholders, be it Government authorities or private sector. BEA understands that Bhutan offers fresh produce to its neighboring countries (Bangladesh & India), which goes to a lower level consumer base – which is an unfair reflection on the quality of the produce and quality of buyers. Bhutan, which places importance on agriculture practices, clean and green farming methods plus proper Governance, deserves a better set of buyers, who will appreciate the quality and story behind the products on offer. It is clear that any search of exports from Bhutan, fresh produce or processed food options never appears as a key export index. Taking reference to Page 2, Table 3.2 of Bhutan Trade Statistics 2021, from the Department of Revenue and Customs (Ministry of Finance, Royal Government of Bhutan), looking at the top 10 exports and there is NO food or food related commodity listed in the report.

The lack of a strategic push is evidently clear and BEA understands that apart from Bangladesh and India (plus one or two more countries / sales channels), there is a distinct lack of awareness of what Bhutan has to offer in terms of agricultural produce. BEA's view of this whole process of trying to get agricultural information (demand, etc.) is that of someone attempting to run, before fully mastering the techniques of walking or brisk walking. It is critical that Bhutan's available products - raw, agricultural products to processed products be made know to all as “**creating awareness = creating opportunities**” (one cannot create an opportunity, without creating awareness).

- 2) **Lack Of Business Support Infrastructure – Administration And Logistics:** Based on a better understanding of the products on offer from Bhutan, the second common point was on “paperwork” as in administrative paperwork for export products, from certificates, to laboratory reports, etc. to basic infrastructure of logistics to support agricultural and processed food businesses from Bhutan to export to Singapore. BEA

could not clearly identify, yet alone potential buyers in Singapore, a distinct set of common documents for importers to review for products purchased from Bhutan. The lack of an immediate (simple) process flow and document identification (or verification) for importers (or for exporters to share), also means an administrative hurdle for importers, especially for Singapore importers of fresh produce or processed food products. This was evident from the meetings unless Bhutan authorities can lay claim that such an administrative process is in place, then BEA would clearly highlight the lack of professional communication; hence not gaining any immediate attention or confidence from potential buyers or importers.

The lack of logistical infrastructure and its efficiency was unfortunately clear as logistics and its efficiency is a key lifeline for Bhutan's exports of fresh produce or processed foods. Having only one flight to Singapore and sea route via India's Calcutta port means the cost of logistics and efficiency is not optimal. BEA understands that there is a statement from Bhutan stakeholders that it's a 'chicken and egg' situation as there is a notion that an increase in exports will lead to improvements, leading to efficiency and better cost! BEA's perspective is that an initiative to improve existing logistical infrastructure is key and critical in being the catalyst for improvement in exports – which in turn will lead to efficiency and reduced costs. Based on the inputs, discussions and sharing, BEA recommends two simple, cost effective solutions, which include:

- refrigerated containers as 'cold storage' and consolidation points at the airport for exports of fresh produce
- having the agricultural (quality) certifying authority to be at the point of export, in this case, the airport and issuing the required paperwork at the point of export to show authenticity, with no opportunity for tampering of products or paperwork.

In addition, due to the complexity of sea shipment and route, which is beyond the control of Bhutan, BEA strongly feels the best control point for Bhutan is its air shipment, where Bhutan authorities must capitalize and improve on airfreight efficiency to create more opportunities for exports of fresh produce. If there can be a progressive program to review on a incremental air freight rate – with support (or subsidy) from the Government for certain projects (of course with deliverables in place), air freight rates must be reduced to create the opportunities and as the opportunities grow, strategically increase or maintain the competitive air freight rates to boost exports further. It is a critical action as Bhutan is “**creating awareness = creating opportunities**” and Bhutan must be able to bring these opportunities overseas, hence “**creating opportunities + adding capabilities = increasing exports**”

- 3) **Lack Of Direction – Coordinated Approach:** As BEA reviewed on the two prevailing points of 'Lack Of Awareness' and 'Lack Of Business Support Infrastructure', BEA clearly captured the essence that key stakeholders from both the Government sector & private sector have positive plans and the drive to improve and boost Bhutan's agriculture and processed food opportunities. However, there is a clear difference in approach by both sectors and a clear lack of efficiency in use of resources – in short, there is no coordinated effort from both the Government and private sector to capitalize on resources, strengths and experiences to formulate a common objective and set of actions to achieve it, at a common and coordinated level.

Without a doubt, most of the delegates are driven, passionate, have a strong mandate to improve Bhutan's exports in fresh produce and processed foods. There are individuals from both the Government sector and private sector who have distinct experiences and knowledge to enhance the overall approach and achieve the objectives with greater efficiency. BEA feels that it is important to have a coordinated approach and setting up a 'task force', a dedicated **Bhutan Export Team**, made up of selected individuals, from both the private and Government sectors. This team can tap onto experiences, knowledge, shared resources and positively create an '**Agriculture Production and Processed Food Exporting Plan**' (program) for Bhutan. BEA also feels that the team must be supported by an external partner from the selected country and both the team and the external partner will formulate the strategy, action plans and report to a single authority (at the highest level) hence bypassing any bureaucratic obstacles and formulating actions to the benefit of all stakeholders.

SINGAPORE – POTENTIAL PARTNERS / POTENTIAL CHANNELS

The delegation understood the potential channels in Singapore from both online, offline – retail and food services. The delegation team also recognized the importance of not just offering or dumping a load of raw or non-value added products into Singapore as it will then be all about price and Bhutan will lose out – due to logistical costs, volumes, reliability and consistency factor. The competition, from other countries (and suppliers) have a longer export history into Singapore, better network of buyers, established sales channels and definitely better logistical efficiency. With the high cost of re-production (repacking) in Singapore, BEA strongly feels **value addition or value creation** will offer better margins for Singapore buyers and better profits for Bhutan sellers, as this **value addition approach** will be an important way forward and create a distinct competitive advantage for all parties.

Taking into consideration that work is put into resolving 'lack of awareness' and 'lack of business support infrastructure', BEA's initial approach will be to tap on the smaller volumes and logistical frequency so as to offer a flexible - value added approach (products) for the potential partners and potential channels in Singapore.

Our suggestions, based on the current profile of partners include a two-phased approach:

PHASE 1 (6 months):

- **Offline Channel:** OEM packed (Sri Ambikas brand); Use Sri Ambikas's traditional channels to offer processed food products for selected range of spices, condiments, processed consumer goods, including incense, etc. Where possible, to consider OEM packed (Sri Ambikas brand) for selected fresh produce, including fruits.
- **Online Channel:** Bhutan branded fresh produce (packed) and processed products, supported by BEA's 'Direct To Market' program for an immediate sales exposure via online channels with focus on brand and Bhutan's product awareness.
- **Offline Channel & B2B, Food Services:** Bhutan branded processed food products for EPIC Technology and Nature's Superfoods

- **Offline Channel & B2B:** Bhutan branded or OEM packed (Quanfa Farms brand) fresh produce (vegetables, fruits)
- **Offline Channel:** Bhutan branded fresh produce (fruits) for ART Fruits

In line with implementing Phase 1, BEA extends our support and available resources to hold stock for the above-mentioned partners – be it processed or fresh produce. This will facilitate efficiency in logistics from Bhutan to Singapore and definitely reduce cost.



Diagram: Overview of Singapore’s retail landscape; Source BEA presentation

PHASE 2 (after 6 months):

Based on experiences from Phase 1 (logistics, sales, partner engagement and the proposed Bhutan Export Team), the actions and steps taken to resolve the ‘lack of awareness’ and the ‘lack of business support infrastructure’ must be reviewed prior to starting Phase 2. Phase 2 will prioritize extension in the number of partners and channel expansion.

The focus for Phase 2 will be to add two more dedicated partners – with capabilities of re-exports, engagement into ship chandelling, engagement into B2B channels (both offline and online) plus Tier 1 – supermarket (retail) engagement, where possible. In this phase, BEA expects Bhutan exports to be logistically efficient with flexible packaging options from bulk packaging, to retail packaging, including OEM packaging for partners. This is the expansion phase to create greater volume – either by increasing the number of type of products (increase in SKUs) or increasing the volume (quantity) of a particular product (example: 1 pallet of a particular product to more that 2~3 pallets of the same product, being exported).

SINGAPORE – COST ANALYSIS (AIR FREIGHT ONLY)

Cost factor and retail price positioning has been a distinct challenge due to the uncertainty of air freight (normal price vs special vs market price) and also unclear product prices, especially for agriculture produce – fruits and vegetables. BEA had a tough time evaluating prices as delegates handling agriculture produce wanted to work back-wards, based on available prices in the Singapore market, to determine prices to offer. This was a clear indication that most agricultural produce from Bhutan had no distinct market prices available or where market prices were available, they were either too high or too low. BEA has refrained from sea freight (sea logistics) calculations, as the potential for sea freight in Phase 1 is not possible. BEA’s basic analysis (as per the table below), offers a reference point for Bhutan export calculations:

PRODUCT	VALUE (SGD)
Cost of product in USD for exports (converted to SGD)	
Cost of air freight (USD TBA/kg; converted to SGD)	
Cost of Singapore clearance – SGD 0.30~0.50/kg or add 10%	
Add GST – 8%	
LANDED PRICE	
Add 30% (estimated distributor margin); Review up to 50%, if needed	
Add 30% (online) estimated retailer online margin Add 45% (offline) estimated retailer offline margin	
RETAIL PRICE (FOR REVIEW)	

Price Analysis: Air Freight - BEA’s basic analysis for price referencing only

Based on the above table, there will be a need to add 10% ~ 20% for buffer, including exchange rates, increase in fuel, logistical costs, etc. It is also important to use the ‘Retail Price’ to review against competitor’s prices here in Singapore (both offline and online) and have a better retail price engagement and preventing the products from being out-priced or devalued.



Diagram: Product pricing analysis; Source: BEA’s

BEA'S PROPOSAL: 'AGRICULTURE PRODUCTION EXPORT PLAN'

BEA's proposal to support the recommendations is the need to change the "Agriculture Production Exporting Plan" to "**Agriculture Production and Processed Food Exporting Plan**", for Singapore (at least). Based on retail visits and meetings with potential partners, it is clear that for Singapore, the value addition of agriculture produce and the processed food (products) will be key for success, taking into consideration the limited awareness and product profile of Bhutan products. With the complimentary approach of value added agricultural products and processed food, greater cross category awareness will materialize within the product profiles and portfolios. It is also important to review on value added agricultural products to be imported into Singapore as the high cost of operations in Singapore will mean that Bhutan's agriculture products must be ultra competitive for Singapore companies to review on value addition in Singapore. For this to happen, Bhutan must have consistency in high volumes and efficient sea logistics – both are not immediately possible, by current standards. In addition, the value added agriculture products will also offer higher margins (profits) for Bhutan producers of agriculture produce and processed products.

However, it is critical that "**creating awareness**" is reviewed with priority, from the proposed formation of the Bhutan Export Team, under Phase 1, as businesses and consumers must be made aware of the range of products that Bhutan has to offer. It is paramount to capitalize on the feel good / positive impression that businesses and consumers have for Bhutan, as a nation and transfer that to the export products on offer. This natural transfer of a country's positive value and impression can be easily appreciated in understanding the transfer of Singapore's positive impression onto products made in Singapore, sold across the world; Consumers have little or no complaints or don't fuss about too much, when it is made in Singapore – taking into consideration Singapore's high standards and quality controls.

Strategically, participating in the upcoming FHA – Food and Beverage, 25th to 28th April 2023 in Singapore, with a small booth can be an important first step in creating awareness in a cost efficient way! This not only creates a little spark for the awareness aspect within the Singapore market, it is also a good learning and positioning opportunity to understand the art of 'selling – promoting' products into the Singapore market (and beyond) by learning from exhibitors from different countries. It will offer special connects beyond Singapore, but the emphasis is to let potential partners - buyers, importers, wholesalers, retailers, etc. know that Bhutan has a range of quality products and these are export ready, showcasing Bhutan's export capabilities.

As the awareness increases, it is important to review on airfreight, as it offers the fastest and most reliable option that is totally under the control of Bhutan authorities. Airfreight will easily be a catalyst to increase exports (vs sea shipments), especially at the initial phase of export expansion for agricultural produce from Bhutan. Small, strategic improvements, like having a cold store facility (via a simple refrigerated container) in the airport for consolidation and storage purposes, to having an officer issuing the required export certificates, at the point of export, can be a game changer – for quality and reliability assurances to Singapore buyers and authorities. It will offer a sense of authenticity and reliability that quality products – fresh

products, with no administrative tampering, are being immediately exported once inspections are done. These are confidence boosters for importers in Singapore and SFA as well, as it reflects reliability & efficiency that compliments the feel good / positive impression of Bhutan.

Lastly, it's key to understand that 'awareness' also comes from within Bhutan and efforts made to expose Bhutan positively, without compromising Bhutan's objectives as a country and its natural resources. Taking Singapore as an example, looking at the growth of Japanese / Korean food and food related products, it is important to understand the efforts in promoting Japan / Korea from both a food and cultural perspective – undertaken many years back. The ability to travel from a tourism perspective and experience the taste - smell - touch - sight of authentic Japanese or Korean products in their respective countries was an important factor for building awareness, trust and the desire for consumption of these products. Tourism creates an identity for the traveler (tourist) and helps to bring back that positive experience and becomes a key determining factor for consumers in their purchase decisions. This is evident as more Singaporeans travelled to Japan and Korea from a recreational perspective (as a tourist), the business of promoting and growing the Japanese and Korean brands and products was far more easier and reaped better success – with the increasing availability of Japanese and Korean products in Singapore.

BEA strongly feels that Bhutan must review on extending a special campaign for Singaporeans (at least – similar to that of Indians, from India), to create a Bhutan identity that can translate into consumer recognition and trust. Apart from boosting tourism, the positive impact of recognizing products from Bhutan will translate into creating business opportunities, similar to what the Japanese and Koreans have done in Singapore successfully. In addition, running marketing campaigns, from video advertisements, to social media advertisements, etc. to promote Bhutan products and brands as a form of identity creation for Singapore consumers is essential. These activities will create impulse purchases that will reflect positively and generate greater business opportunities. With the potential partners supporting Phase 1, these strategic activities, including marketing and promotions, can translate to increasing awareness, resulting in product recognition and sales generation.

In conclusion, BEA's formula to support Bhutan's increase in exports is based on two similar and interchangeable criteria (factors):

Criteria / Factors:

Bhutan Export Team = (creating awareness = creating opportunities) Agriculture Production & Processed Food Exporting Plan = (adding capabilities)
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Formula For Increasing Exports:

(creating awareness = creating opportunities) + adding capabilities = increasing exports

or

Bhutan Export Team + Agriculture Production & Processed Food Exporting Plan = increasing exports
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The below is a special (additional) set of proposal, not part of the survey report, but taking into consideration BEA's wish to extend a deeper interest in supporting Bhutan SMEs, .

BEA wishes to extend our experiences from the survey, taking the positive engagements and working relationship with key stakeholders from Bhutan's Government and private sectors, by expressing our strong interest to

- be an official member in enhancing the 'Agriculture Production Exporting Plan' (Agriculture Production and Processed Food Exporting Plan) of Bhutan
- be an official strategic partner for the proposed Bhutan Export Team (Singapore Market), if the team is setup based on recommendations and the need for 'Go To Market' activities
- be an official entity, recognized by the Government of Bhutan, to facilitate and execute a "**Bhutan-Singapore Business Desk**", operated by BEA to support Bhutan companies in their promotional and marketing activities in Singapore.

Thank you.

Kanthian
 CEO & Founder
 Business Engineers Asia Private Limited.

Market Survey Report
on
Bhutanese Agricultural Products
Malaysia
March 2023

OVERVIEW MALAYSIA MARKET

Malaysia, part of South-East Asia (ASEAN) is composed of two noncontiguous regions: **Peninsular Malaysia (West Malaysia)** and **Malay Peninsula (East Malaysia)**. The people of Malaysia are unevenly distributed between West Malaysia and East Malaysia, with the vast majority living in West Malaysia. Malaysia's population encompasses ethnic, linguistic, cultural and religious diversity where there is a significant distinction of **Bumiputera** (indigenous people and Malays) and **Non-Bumiputra** (primarily Chinese, Indians - South Asians). The total population comprises of about **30.3 million** (92.2%) Citizens and **2.6 million** (7.8%) Non-Citizens, of which **Bumiputera** (indigenous people and Malays) make up **69.9%** and **Non-Bumiputeras of Chinese** make up **22.8%** and the **Indians** make up **6.6%** collectively. The population has a slightly **higher male to female ratio** and is facing an increasing older population ratio every year, with United Nations categorizing Malaysia has become an ageing society. Young Malaysians (0-14 years), comprise of about 23.2% and the working age Malaysians (15-64 years), comprise of about 69.5%. The old age Malaysians (65 years and over), comprise of about 7.3%.

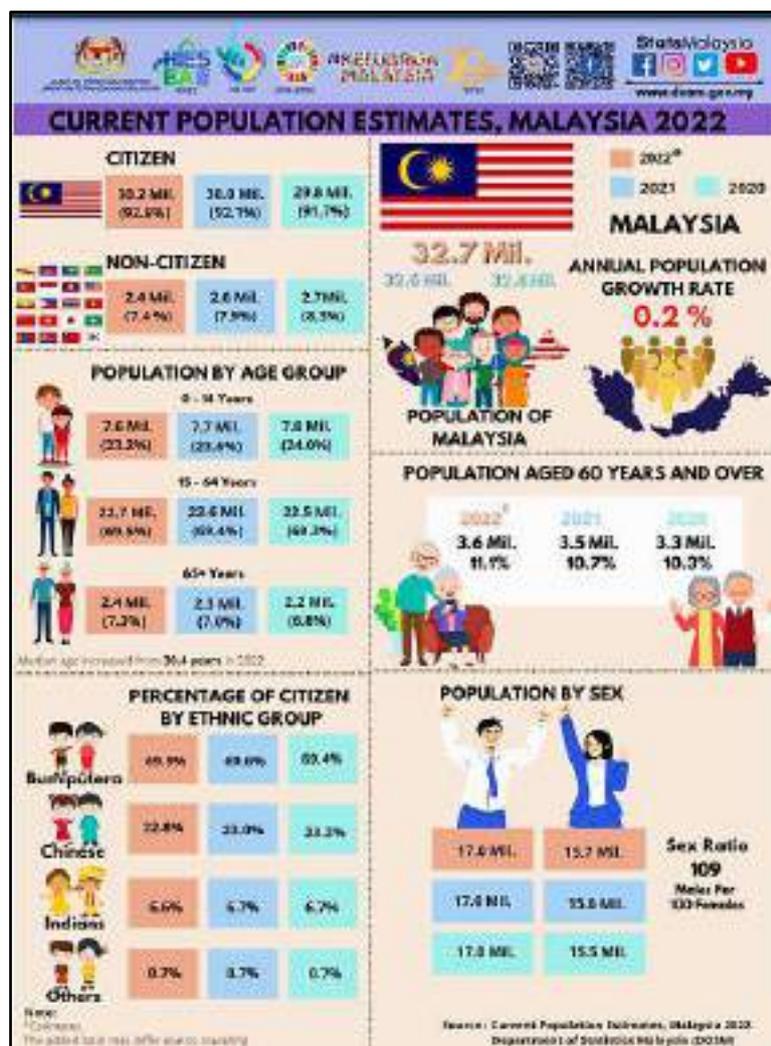
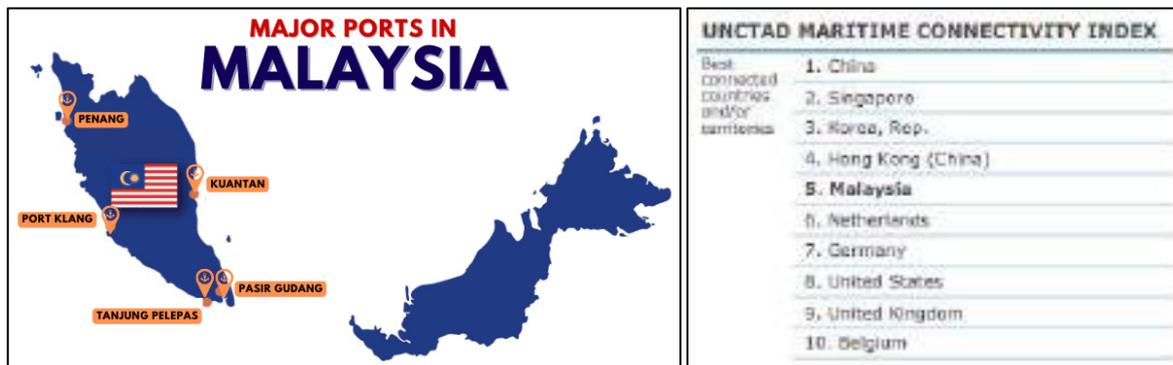


Diagram: Malaysia population estimates; Source: Department of Statistics, Malaysia

Malaysia’s focus is to position as a regional hub for logistics services and aims to be a regional aerospace hub and an integral part of the global aerospace supply chain. As per the Ministry of Transport (Malaysia), there are 6 international airports (Kuala Lumpur, Langkawi, Kuching, Penang, Kota Kinabalu and Senai), 16 domestic and 18 airport aerodrome (short take off landing ports) to accommodate growing passenger demand and business support and operational connectivity. Malaysia also has 7 federated ports - 5 in West Malaysia and 2 in East Malaysia. The sea ports of Malaysia are ranked 5th in the maritime connectivity index.

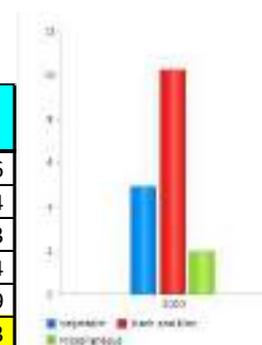


Sea Ports (West Malaysia) – 5 ports: Port Klang, Port of Tanjung Pelepas, Port of Johor, Port of Penang and Port of Kuantan; Sea Ports (East Malaysia) – 2 ports: Port of Bintulu and Port of Labuan

With an abundance of land, resources and government policies, Malaysia remains food insecure. Malaysia is ranked 41st on the Global Security Food Index (GSFI), with a heavy reliance on imports for essential food products. Malaysia’s agricultural productivity is 45% of the average among high income countries with the primary growth sector of Malaysian agriculture focusing on cash crop exports, with increases in food crop production being a distant second priority.

In 2022, imports of food and beverages for consumption clocked at RM 38.5 billion and food and beverage for industry at RM 31 billion respectively. 2020’s statistics showed 8 key imports exceeding the 50% imports dependency ratio: cuttlefish (52.2%), fresh milk (53.5%), round cabbage (63.6%), **chilies (72.4%)**, beef (78.1%), **ginger (81.5%)**, **mangoes (86.2%)** and mutton (90.4%). Available statistics show that Bhutan has engagements with Malaysia, specifically with Malaysia importing from Bhutan, based on data from WITS (World Integrated Trade Solution), for the year 2020. Malaysia had imported “vegetables” valued at USD 4.93K.

Reporter Name	Partner Name	Year	Trade Flow	Product Group	Import (US\$ Thousand)
Malaysia	Bhutan	2020	Import	All Products	\$ 17.16
Malaysia	Bhutan	2020	Import	Capital goods	\$ 10.24
Malaysia	Bhutan	2020	Import	Raw materials	\$ 4.93
Malaysia	Bhutan	2020	Import	Mach and Elec	\$ 10.24
Malaysia	Bhutan	2020	Import	Miscellaneous	\$ 1.99
Malaysia	Bhutan	2020	Import	Vegetable	\$ 4.93



2020, WITS (World Integrated Trade Solution); Malaysia imports from Bhutan



2020, WITS (World Integrated Trade Solution); Malaysia imports stats “vegetables”



2020, WITS (World Integrated Trade Solution); Malaysia imports stats “agricultural raw materials”



2020, WITS (World Integrated Trade Solution); Malaysia imports stats “food products”

Around a quarter of Malaysia’s food supply comes from imports and so, it is important to identify the strategic products that are imported into Malaysia that Bhutan can capitalize by exporting to Malaysia. It is also important for Bhutan to review on the competition (fellow exporting countries) and their advantages, including logistics. Malaysia is almost totally dependent on the importation, especially in the meat sector, along with dairy, seafood and cocoa. However, ‘mangoes’ and ‘ginger’ offer immediate potential for Bhutan exporters, based on Malaysia’s food import dependency ratio (2021) & “dairy” (fresh milk) potentially as well.



Diagram: Import Dependency Ratio – 2021; Source Bernama

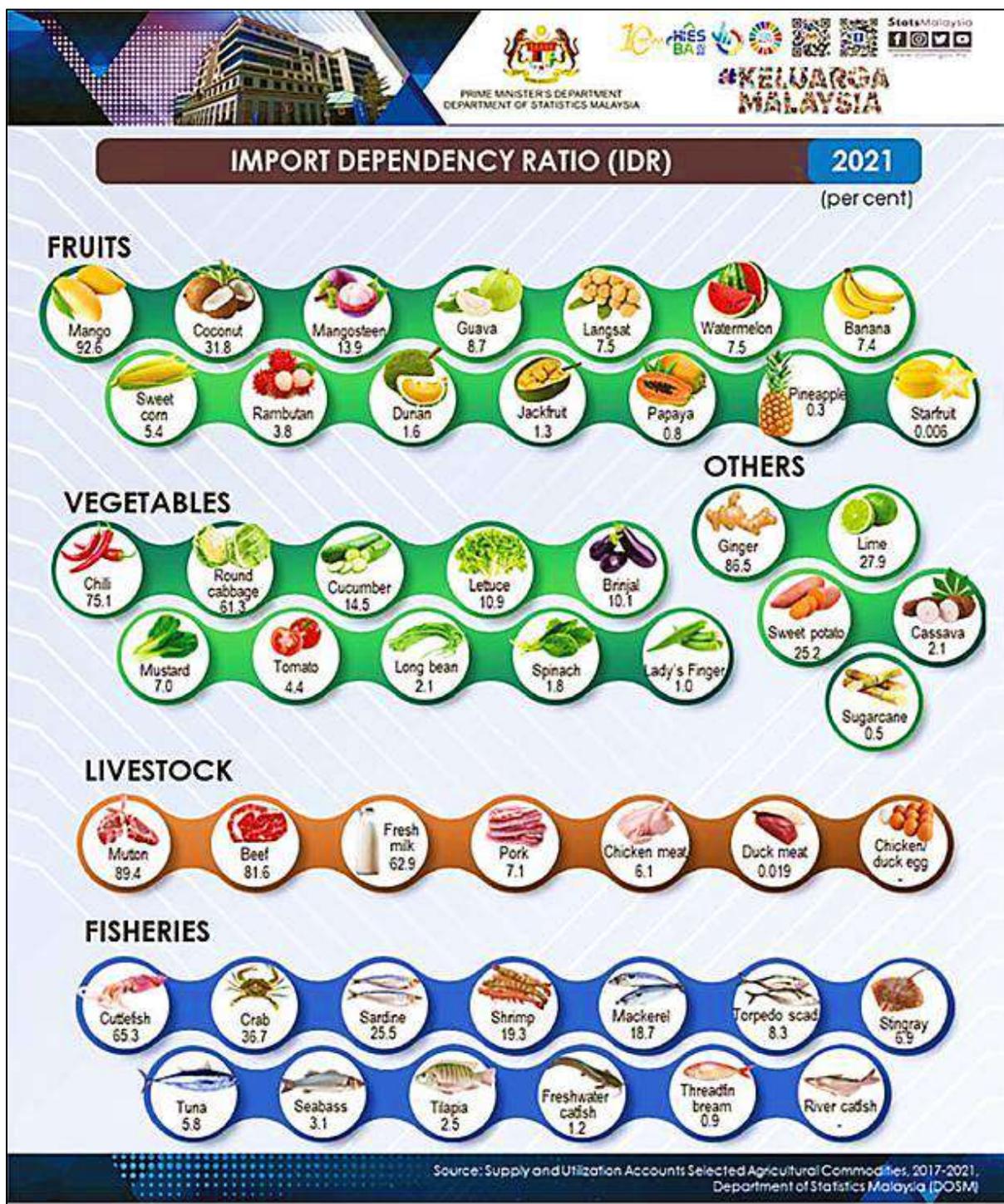
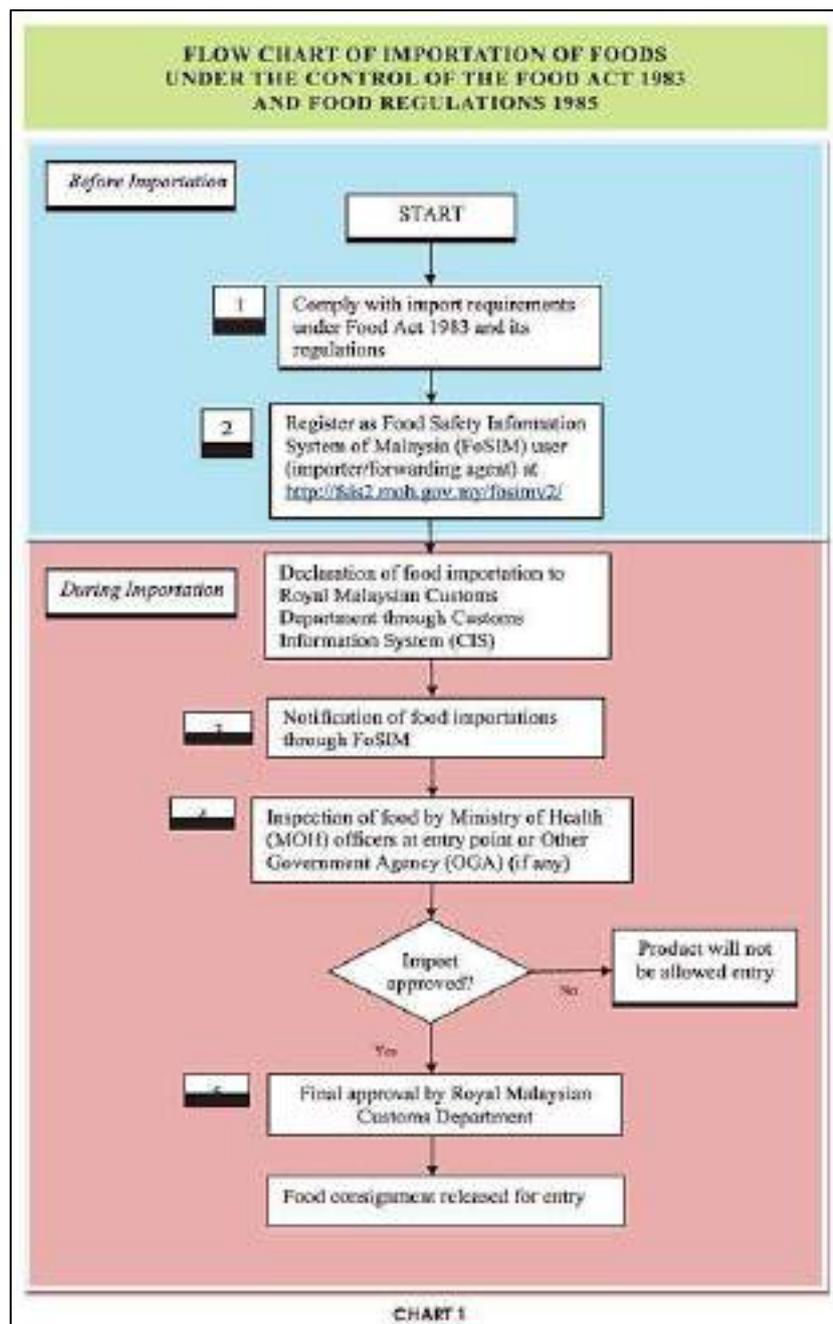


Diagram: Import Dependency Ratio 2021; Source: Department of Statistics, Malaysia.

It is also critical to note that logistically, there is no direct air connection and sea connection and so all-logistical support to Malaysia will be via transshipment method – with Singapore having a distinct advantage of air, sea and land transfers to Malaysia.

MALAYSIA IMPORT LAWS – REGULATIONS

In May 2022, the Government of Malaysia announced that approved permits were no longer required by Malaysians to import food products into the country, hence simplifying the current legal requirements to import food products into the country. However, importers are still required to ensure adherence of the imported food product in line with the *Malaysian Food Act 1983 (Attachment 4)*. Importers must also ensure strict adherence to the *Malaysian Food Regulations 1985 (Attachment 5)* in respect of the type of food to be imported. To support food importers, the Food Safety and Quality Division (FSQD), under the Ministry of Health, Malaysia has a matrix that outlines the import requirements for specific food products.



Food Safety and Quality Division – Matrix; Source: Ministry of Health, Malaysia

Although approved permits are no longer required, the Ministry of Agriculture and Food Industry (MAFI) has clarified that importers of food products are still required to have import permits for biosecurity control purposes to ensure that the imported food products are free of diseases and pests (plus acquired from government recognized institutions). Importers must also register themselves with the Food Safety Information System of Malaysia (FOSIM), before importing food products into the country. FOSIM interfaces with the Customs Information System, allowing importers, forwarding agents and authorized officers to manage food importation activities over the internet.

Upon arriving at the Malaysian border, the imported food products will first be inspected by MOH officers or Malaysian Quarantine and Inspection Services (MAQIS) officers through a risk-based approach assisted by FOSIM, depending on the type of food product and the body regulating their import and export. Upon the matching of their documents and/or permits with the imported food products, and assuming that there are no further issues with the imported food products, the inspection by the MOH or MAQIS officers is concluded. At times, one further round of inspection will then be conducted by the Royal Malaysian Customs Department, which is typically done on a random basis, to ensure that the imports comply with local import legislations and regulations.

The *Malaysian Food Regulations 1985 (Attachment 5)* by the Malaysian Ministry of Health has the rules regarding food packaging and labelling. Key indicators are,

- **Illustrations:** to ensure there are no misleading images of the product.
- **Logos on Food Labelling:** if the product is Halal, Mesti, HACCP, etc. certified, it is important to follow the size and color guideline as listed the Food Regulations 1985.
- **Quantity of Food:** the quantity of the food product must be indicated via the food product's net weight, volume or number of content. If the food is in liquids, display both the net weight and the drained weight of the product.
- **Ingredients on Food Labelling:** the ingredients information is a must and has to include all the ingredients on the label; contents must be stated by their common name and products that include beef, pork, lard or alcohol must be stated (example: contains pork). Foods with allergens should be stated on the ingredients list to let consumers know the product may cause hypersensitivity.
- **Nutrition Facts Label:** not all food products need to display nutrition facts, however having the nutrition facts gives consumers confidence; To claim that the product is 'free', 'low' or 'high' of some ingredient, it has to follow the Food Regulations 1985 requirements.
- **Manufacturer / Importer (Malaysia):** if the product is made in Malaysia, the label must include the name and address of the manufacturer/packer/ owner of rights of the manufacture;
- **Manufacturer / Importer (Overseas):** if the product is imported, the name and address of the manufacturer/ packer/ owner of rights of the manufacture should be displayed along with the name and business address of the Malaysian importer and the origin country of the food.
- **Expiration Date:** the expiry date of the food product must be indicated in the form of day, month and year with text a contrasting background.

→ **Instructions:** if the food product requires additional details a consumer must follow to maintain its quality, display the instructions clearly; this includes a direction of storage (example: frozen foods) to instructions after opening (example: canned food) and cooking instructions (example: cake mix).

→ **Bar Code:** though not compulsory under regulations, products for retail require a barcode.

For Malaysia, its mandatory that labels are in Malay **or** English and the following summary allows for fast approvals during inspection:

- * Name and description of food
- * List of ingredients in decreasing order of weight composition
- * Statement about food additives (if any)
- * Net weight or volume of food in the package
- * Name and address of overseas manufacturer, local importer, and country of origin
- * Expiry / Best before date
- * Suggested serving size and nutritional information

Lastly, for ease of import and custom clearances, working with the appointed logistical partner (forwarder) and the Malaysian importer, it is good to have the following documents, read for a smooth clearance in Malaysia:

1. MANDATORY → Invoice, Packing List and Delivery Order
2. MANDATORY → Bill of Lading / Airway Bill
3. MANDATORY → Customs Form 1
4. CASE TO CASE → Ocean / Air Freight Charges (If Applicable)
5. CASE TO CASE → Additional Permits / Certification (Product Specific)
6. CASE TO CASE → Insurance Certificate (If Insured)
7. CASE TO CASE → Letter of Credit (If Applicable)

MALAYSIA – MEETING SUMMARY

BEA collaborated with Ms. Audrey Louis, from Crest Lamberts, an established importer of confectionary and chocolates from Europe. She has over 15 years of import experiences and focuses mainly on offline - Tier 1 retail channels, as her key sales channel. Together with her, BEA structured the meetings to meet key offline supermarkets, the buyers to be specific and to better understand the retail market / sector in Malaysia, from listing requirements, to support and promotional requirements. We also met up with an established logistics service provider to understand the complexities of importing into Malaysia and the potential challenges Bhutan exporters could face. In short,

→ retail visit to premium supermarkets (Village Grocer, NSK Grocer, Cold Storage, Jaya Grocer, Just Fruits, Ben's Independent Grocer, AEON)

→ small, grocery / mom & pop shops at Little India (Brickfields, KL)

→ retail buyers (Ms. Cherry, Just Fruits; Mr. Anandaraj, M&S, Mr. Guna, AEON)

→ logistics meeting with Mr. Salim, FM Global Logistics, Malaysia

The discussions and visits were mainly offline channel related and very Malaysia centric (with no exports being discussed) and reviewing on the challenges of importing into Malaysia as a 'finished' (retail) product, the challenges and demands of retail listing in Malaysia and the expectations of retailers in Malaysia. Gathering all the points from discussions and the views of the smaller Bhutan delegation, it was clear that Malaysia is going to be a tough market to enter, when comparing to Singapore and not as business friendly as Singapore. Having no direct logistical connection, transshipment was the only way forward to enter Malaysia, which is clearly going to add onto the already high logistical costs, hence reducing any competitive advantage there may be. Malaysia offered immediate volume opportunities if a product is acceptable and meetings all the regulatory requirements. For retail approach, Malaysia clearly has three key retail points of Kuala Lumpur, Penang and Johor, while for bulk sales it is spread all over, based on repacking and distribution needs of the potential buyers.

BEA, having reviewed all points from Ms. Audrey, the small Bhutan delegation, the respective buyers (from the meetings), concluded that for Malaysia, two key areas have to be addressed for mid and long term success and these are as follows:

First Area (No Bhutan Control): Preferred Method Of Market Entry

All the meetings and visits clearly showed that for Bhutan's agricultural products, processed foods, or semi-processed food products to enter the market, the most practical method was to offer bulk packing (bulk load) and to repack in Malaysia, for cost competitiveness – from logistics, to ease of import, to distribution, etc. Unlike Singapore, there is no need for value adding and Malaysia takes a complete opposite approach by focusing on bulk packing and repacking.

The lack of awareness, from a product profile, can be negligible in Malaysia, based on a bulk load approach - hence there is no immediate need to build a Bhutan profile in Malaysia for agriculture-based products. Getting a good partner to repack and distribute in Malaysia will be key for success. This partner must be able to offer the repacked products into mid and higher consumer channels, for the sole reason that Bhutan products, even repacked, will be higher in retail price (and cost) vs other similar imported products being repacked in Malaysia (example: turmeric powder, ginger powder, quinoa, etc.). Hence, the approach is about differentiating repacked products to a consumer base that understands that the source of origin of the product is key to their purchasing decision.

Finished / processed products from Bhutan have only one distinct market entry opportunity and this is by working with a Malaysian partner who values the quality, the story behind the product and clearly understands that the products will be positioned from a premium or higher market perspective. It is not going to be a volume-based business and the ability to build awareness has to be a joint effort - done by the partner and supported by the proposed Bhutan Export Team. This partner is also critical in engaging offline Tier 1 retailers as Malaysian retailers will not purchase directly and require domestic (Malaysia wide) support. The way forward for finished / processed products is to consolidate a 20' container, have a strategic marketing campaign in one of the Malaysian retailers, via a short-term exclusive approach. This will

create an immediate awareness (but short term) and create impulse purchases that can lead to a few items being marked for potential long term listing / retailing, based on consumer sales (buying pattern – repeated purchases).

Second Area (Some Bhutan Control): Preferred Logistical Method

Without a doubt, with no direct connection, both air and sea shipments into Malaysia will be a challenge. With transshipment being the only way forward, it is critical to benchmark and create a supportive structure for logistical approach into Malaysia. Few pointers based on bulk packing (bulk load) and finished / processed products:

- Bhutan’s agricultural products and/or, processed foods, or semi-processed food products in bulk packing (bulk load), have to kick start, in small loads via airfreight, with transshipment via Thailand or Singapore (based on best transshipment costs). Volumes have to be built up or volumes have to be consolidated (from various buyers) to create a cost competitive sea freight option, for the long run. To build on this logistical approach, fresh produce (fruits / vegetables), are the lowest of priority. This entire consolidation work has to be driven by the Bhutan Export Team with some support from the Malaysian partner (without any from Malaysian buyers).

- Bhutan’s finished or processed products have 2 options to kick start in Malaysia. One option is via airfreight, with transshipment via Thailand or Singapore (based on best transshipment costs) and this is a viable option based on small loads. The other option is to consolidate both Singapore’s and Malaysia’s requirements and ship by sea to Singapore and transfer the Malaysian requirements via truck (land transportation). The second option requires a close coordination between both the Malaysia partner and Singapore partner. There is a possible extension for the Malaysian partner to even extend logistical support for Bhutan’s agricultural products and/or, processed foods, or semi-processed food products in bulk packing (bulk load), as well. This entire consolidation work has to be dual (or triple) partnership driven approach, lead by the Bhutan Export Team and supported by the Singapore and Malaysia partner.

MALAYSIA – POTENTIAL PARTNERS / POTENTIAL CHANNELS

BEA is reviewing the Malaysian channel and partners in two ways, namely:

“Available Partner Options” or “Create Partner Options”

Available Partner Option: to review and appoint Ms. Audrey as a partner for Bhutan, based on her established offline retail channels in Malaysia, the network she has within the offline retail channels and experiences in serving the offline retail channels. Ms. Audrey has expressed interest in some of the Bhutan products (processed / finished goods), understands the potential challenges and demands of promoting Bhutan products and her experience in handling imported products, custom clearances for imported products will be an asset for the proposed Bhutan Export Team. She can work with the proposed Bhutan Export Team to review on product expansion, marketing campaigns with offline retail channels and build on the Bhutan product profile in Malaysia. She is also working on her online channel expansion (supported

by BEA) and hence has the potential to create channel extensions (in a shorter period). There is also the option of Ms. Audrey, extending the support for a consolidated load for Bhutan's agricultural products and/or, processed foods, or semi-processed food products in bulk packing (bulk load) – for non-conflicting Malaysian buyers (businesses).

Create Partner Option: the proposed Bhutan Export Team drives this option. It requires the Bhutan Export Team to work with BEA or any other agency and identify a set of Malaysian partners to undertake Bhutan's agricultural products and/or, processed foods, or semi-processed food products in bulk packing (bulk load) and Bhutan's finished or processed products for market penetration in Malaysia. This will require the proposed Bhutan Export Team to dictate some actions of the Malaysian partners but will positively support consolidation for the Malaysian partners, in terms of logistical engagement for both air and sea, via transshipment to Malaysia. BEA proposes that for this option, 5 to 7 potential Malaysian partners be shortlisted and 2 or maximum 3 be appointed. The appointment can be flexible by having 2 partners focusing on repacking via bulk load and 1 partner for finished or processed products or having 1 partner focusing on repacking via bulk load and 2 partners for finished or processed products. It is also important that under this option, performance indicators are set and all partners have a common set of objectives, driven by Bhutan Export Team.

MALAYSIA – COST ANALYSIS

For Malaysia, BEA is unable to clearly define a cost breakdown mainly due to lack of direct logistics, both air and sea, into Malaysia. BEA honestly feels that the only practical way is to undertake an actual trial lot shipment for air and a simulated shipment for sea, based on transshipment from both Thailand and Singapore.

An identical set of two units of bulk and processed goods have to be built up (example: 200kg~300kg in weight and 0.3CBM~0.5CBM in volume) and these two units of bulk and processed goods have to be transferred via air shipment into Thailand and Singapore with the final destination being Kuala Lumpur, Malaysia. It is important to note that with Thailand having 6 flights from Bhutan and Singapore 1 flight from Bhutan, the time for transshipment and cost for transshipment will be clear indicators for potential air freight planning.

Alternatively, a simulated 20' container for sea shipment has to be created with a single cargo (product) that has no tariffs in Malaysia. The proposed Bhutan Export Team has to oversee the simulated 20' container via sea shipment into Malaysia via transshipment in Thailand by land (trucking) and/or by sea. It has to also simulate the same shipment into Malaysia via transshipment in Singapore by land (trucking) and/or by sea. This will formulate the foundation of logistical cost analysis for all transfer of goods, both air and sea, from Bhutan to Malaysia.

PROPOSAL: ‘AGRICULTURE PRODUCTION EXPORT PLAN’

BEA expresses its apology, as BEA will not initiate any proposal for Bhutan’s “Agriculture Production Exporting Plan” for Malaysia. BEA has identified distinct products, that will have export potential – namely ‘mangoes’ (which is seasonal), ‘chili’ and ‘ginger’ (all year round), based on Malaysia’s Import Dependency Ratio – where it’s easier to get approvals for imports from Bhutan. Due to the lack of logistical data and the opportunity to undertake practical end-to-end analysis, BEA feels the way to review the “Agriculture Production Exporting Plan” is a joint effort with the proposed Bhutan Export Team (supported by the Malaysian partner).

In conclusion, BEA’s formula to support Bhutan’s’ increase in exports for Malaysia is based on two formulas (subjected to different criteria/factors):

Criteria / Factors - Formula

Available Partner Options or Create Partner Options
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Formula For Increasing Exports:

(First Area: Preferred Method Of Market Entry + Second Area Preferred Logistical Method) X Available Partner Option
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or

(First Area: Preferred Method Of Market Entry + Second Area Preferred Logistical Method) X Create Partner Option



Market Survey Report
on
Bhutanese Agricultural Products
Thailand
March 2023

OVERVIEW THAILAND MARKET

Thailand, officially known as the Kingdom of Thailand, is a country located in the center of mainland South-East Asia. Thailand has a land area of about 514,000 square kilometers and consists of two broad geographic areas - a larger main section in the north and a smaller peninsular extension in the south. Thailand shares borders with Myanmar (Burma), Cambodia, Laos, and Malaysia.

Thailand is a multi-ethnic nation with a population of close to **66 million people**. Thai people make up over **90 percent** of the population and **Chinese – 5%** and **Malays – 3%**. Over 97%, of Thai people practice Buddhism. The population has a slightly **higher female to male ratio** and young Thais (0-14 years), comprise of about 16.3%, the working age Thais (15-64 years), comprise of about 67.17%, the old age Thais (65 years and over), comprise of about 11.82%.

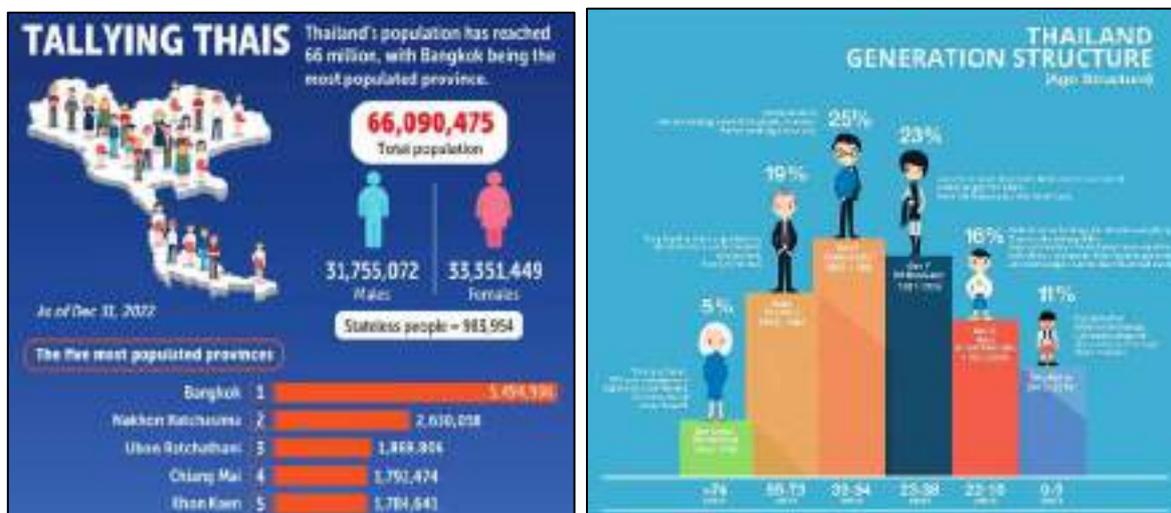


Diagram: Thailand population; Source: Interior Ministry, Thailand

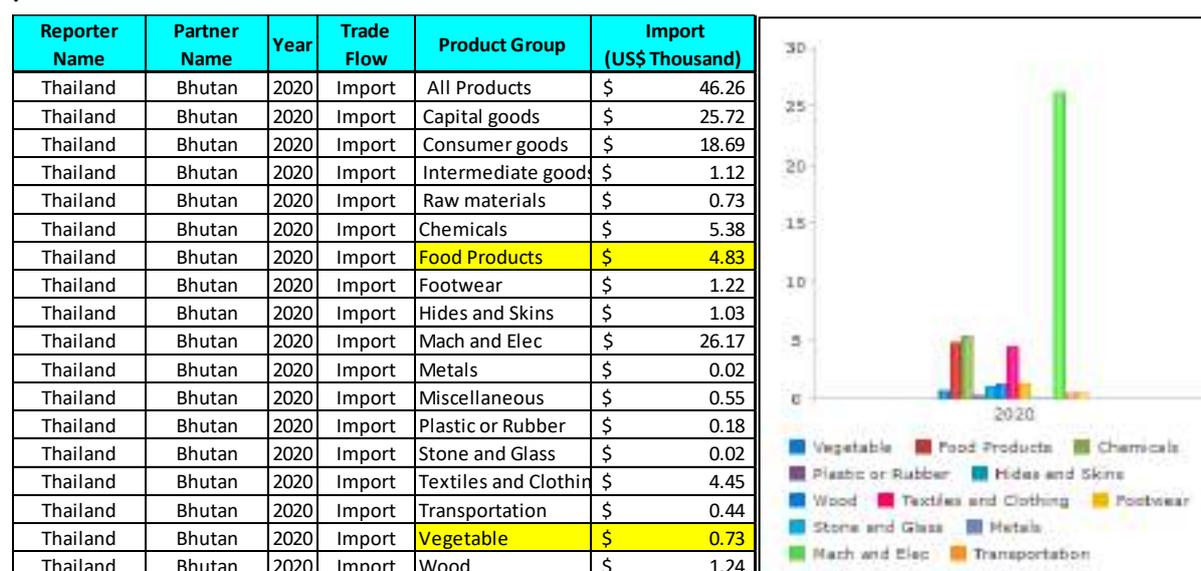
Thailand is the second largest economy in ASEAN next only to Indonesia. With an improving economy, Thailand has a strong focus to position as a regional hub for logistics services. Road freight is the most important mode of domestic goods transport in Thailand where over 80% of the net domestic transport is moved on land. The country has a highly developed network of highways and its two main seaports connect Thailand to several important international shipping routes. Thailand has six international airports and over 10 roadways that provide the connection with neighboring countries.

With an abundance of land and a key producer of various cash crops, Thailand government has openly shared during the Ukraine-Russia crisis there was no threat of food shortage in Thailand. The government wants to position Thailand as a global hub of quality agricultural products and food, helping to increase food-related shipments. The food and beverage industry plays a vital role in the Thai economy and Thailand is the 13th biggest exporter of food to the world with a market share of 2.3% and is the fourth biggest in Asia. Thailand is a leading global supplier of a wide variety of commodities and products including rice, rubber, cassava, sugar, seafood, poultry meat, frozen food, ready-to-eat foods and processed fruits and vegetables.

Thailand is a regional and global food manufacturer, particularly for tuna, prawns and chicken. Thai Union Frozen is the world’s largest processor of seafood products. Thailand is home to one of the biggest agribusiness conglomerates, the Charoen Pokphand Group (CP), which has extensive investments and production in over 20 countries. Other Thai agribusiness conglomerates are looking at diversification and expansion internationally. With a huge export orientated approach, Thailand has a **low 6.7% food import** with **most imports going into the food services industry**. Imported food items needed to meet the demands of the food service industry include:

- **fresh fruit and vegetables**
- smoked salmon and seafood
- Japanese-style delicacies
- grain and cereal products
- **chocolate and confectionery**
- **100 per cent fruit juice and drinks**
- jams and spreads
- dairy products and milk powder
- pasta
- salted snacks
- ready-to-eat meals
- meat and meat by-products.

Available statistics show that Bhutan has engagements with Thailand, specifically with Thailand’s imports from Bhutan based on data from WITS (World Integrated Trade Solution); there were imports for “vegetables” valued at USD 0.73K and “food products” at USD 4.83K.



2020, WITS (World Integrated Trade Solution); Thailand imports from Bhutan



2020, WITS (World Integrated Trade Solution); Thailand imports stats “vegetables”



2020, WITS (World Integrated Trade Solution); Thailand imports stats “agricultural raw materials”



2020, WITS (World Integrated Trade Solution); Thailand imports stats “food products”

With a strong export orientated approach and with imports of food and beverage, uniquely sourced for the food services industry, Bhutan’s clear opportunities are for fresh fruit, vegetables, chocolates, 100 per cent fruit juice and drinks. One key gateway could be via “food product” - re-packed or re-positioned from Singapore or Malaysia, with respective FTAs.

THAILAND IMPORT LAWS – REGULATIONS

According to the World Bank, the time and cost of both importing and exporting in Thailand is significantly lower than the average for neighboring countries in the East Asia and Pacific region. In recent years, import/export procedures have been streamlined through the implementation of the **online e-Customs system**. This electronic system provides a one-stop service for all stakeholders in cross-border trade. Procedures such as issuing licenses and paying duties and taxes have been made paperless and can be completed using the system.

All goods imported into Thailand must be reported to the Customs department. The followings steps are a simplified summary and for importing food products into Thailand, there is a to have a registration certificate from **Thailand FDA (Food and Drug Administration)**.

<u>STEPS FOR IMPORTING FOOD INTO THAILAND</u>
<p>Step 1 – Register to use e-Customs system</p> <p>The procedures for importing goods into Thailand have been centralized into the online e-Customs system. The importer can choose to either register with the system (via the digital certificate) directly or through an agent (via the agent’s digital certificate).</p>
<p>Step 2 – Review controlled goods</p> <p>It is important to identify if the imported goods require an import permit and to ascertain if goods are considered ‘red line’.</p> <p><i>(Note: most goods require import permits issued by different agencies; red line goods are those considered high risk or requiring extra certification and verification upon arrival, including foodstuffs, drinks, and plants.)</i></p> <p>It is necessary to provide the following supporting documents when importing red line goods:</p> <ul style="list-style-type: none">- Bill of Lading (B/L) or Air Waybill- Invoice + Packing List- Import License- Certificates of Origin- Other Documents (example: ingredients list, quality certificates, etc.)- Free Trade Agreement Form (if applicable)
<p>Step 3 – Submission and verification of declaration</p> <p>Once all documentation is in order, an Import Declaration can be submitted to the e-Customs system along with an arrival report with the information of the carrying vessel. The e-Customs system will then check and verify the submission, identifying any discrepancies and specifying whether the shipment is green line or red line.</p>
<p>Step 4 – Payment of duties and taxes</p> <p>Thai Customs Tariff Decree B.E. 2530 states that “goods imported or brought into, exported, or taken out of the Kingdom shall be chargeable with and liable to duty”, unless exempted. For dutiable goods, payment can be made at the Customs Department of the port of entry or via the e-Payment section of the e-Customs system.</p>

Step 5 – Inspection and release of cargo

The final step before the cargo is released is an inspection. For green line goods, this is simply an online screening and will take only a few minutes. For red line goods, the supporting documents will have to be presented and the cargo physically examined by customs officials.

Thai FDA - essential processes required by the Thai FDA for food imports into Thailand.

* Obtain a **cargo import license**

* Obtain a **food import license**; the following are needed for food import license:

- Company Registration (within 6 months)
- Passport of the representative
- List of the company shareholders
- Work permit
- Documents to prove the registered residence
- Map or drawing of the warehouse where the imported cargo will be stored
- Permit to use the warehouse
- Map of the surrounding area of the food management storage
- Company stamp

* Register the **category on the FDA**

After obtaining a food import license, there is a need to apply for specific categories, depending on the type of product being imported (example: “processed food category”)

* Register the **product on the FDA**

Prepare documents for product registration; “processed food” will require the following:

- Name of the product
- Picture of the product
- Label of the product
- GMP/ HACCP / ISO
- Analysis of component
- Manufacturing process
- Sample of the product

As part of any food import, labeling is required on all processed food, healthcare, and cosmetic products, by the Thai Food and Drug Administration (FDA) and Ministry of Public Health (MOPH). For imported foods, a Thai label must be applied where needed prior to entry and be affixed to every single item of the food product. The Thai FDA only requires pre-approved labels for specifically controlled foods. The importer of specifically controlled foods must request for a permit to use the pre-approved label (via Thai FDA’s electronic submission system). Once approved, Thai FDA will issue a food serial number and label authorization. For other foods, it is important to comply with the Ministerial Notification No. 367 B.E. 2557 Re: Food Labeling of Prepackaged Food, Ministerial Notification No. 383 B.E. 2560 (2017), Re: The Labeling of Pre-packaged Foods (No.2) and Ministerial Notification No. 401 B.E. 2562 (2019) Re: The Labeling of Pre-packaged Foods (No. 3).

Labeling of food products imported into Thailand must display the following key information:

- Name of food;
- Food serial number;
- Name and address of manufacturer, packer, or importer;
- Contents of food in metric ingredients;
- Percentage by weight of main ingredients;
- Allergen warning text;
- Functional class title of food additives + specific names of international numbering system;
- Declared text of flavoring agent;
- Display of “should consume by” or “expiration date”;
- Warning statement (if any);
- Storage instruction (if any);
- Cooking instruction (if any);
- Instruction for use and essential text for food intended use for infant or newborn baby;

Additionally, Thai FDA requires some types of food products to bear nutrition labeling and guideline daily amounts (GDA) labeling. The relevant detailed information is available at:

- * MOPH Notification No. 182 B.E. 2541 (1998) Re: Nutrition Labeling;
- * MOPH Notification No. 219 B.E. 2544 (2001) Re: Amendment of Nutrition Labeling
- * MOPH Notification No. 394 B.E. 2561 (2018) Re: Food Products required to bear nutrition labeling and GDA.

THAILAND – MEETING SUMMARY

BEA organized and structured the meetings in Bangkok, Thailand to cater for a practical experience including logistics, stakeholder’s views from an association to a foreign government agency, local importer with repacking capabilities, to a master importer and wholesaler. The objective was to offer practical meeting experiences and sharing of thoughts in an interactive manner, where possible.

- retail visit to premium supermarkets: (Gourmet Market, Tops Market, TESCO-LOTUS), including wholesale-retail: (BigC, Thailand Fruits Import Market, etc.)
- importers / wholesalers: S-SENS FOODS (Thailand), Healthy Choice Asia (Thailand)
- association / trade office: Thailand Fruit Exporters and Polish Trade Office
- logistics meeting: AMATA Interfreight Company

The discussions had a good balanced approach from wholesale, to retail and in retail, offline to online. There were open exchanges of how to engage Thailand customers and manage their expectations as well. Apart from the Thailand Fruit Exporters and Traders Association and the visit to Thailand Fruit Import Market, where the objective was to review on wholesale, the rest of the meetings gave insights to retail engagement and customer management. Retail visits also showed that competing with local (Thailand) products was going to be a challenge and

positioning from an imported – premium category, would be a viable way forward for processed food from Bhutan. Gathering all the points from the various stakeholders, it was clear that Thailand’s potential was not in the hands of any commercial entity – especially when it is food or beverage related, but in the hands of the Bhutan Government and Thailand authorities (example: Thailand FDA).

One clear advantage Thailand has over Singapore and Malaysia is the good (regular) air logistics capability, with good cross-border transshipment (trucking) links to 4 countries – namely, Myanmar (Burma), Cambodia, Laos and Malaysia. Sea shipment connections from Calcutta (seaport) to Bangkok (seaport), directly and indirectly (via transshipment) is also a viable option and it extends to good cross-border transshipment (trucking) links as well.

For Thailand, Bhutan’s closest business partner, when comparing against Malaysia and Singapore, the strategic market entry and expansion is in the hands of the respective Government. The Government have to undertake the primary role to initiate and facilitate trade of goods between Bhutan and Thailand, under the **Preferential Trade Agreement (PTA)**. The PTA will be the catalyst and commercial boost to ensure that Bhutan’s “Agriculture Production Exporting Plan” can be executed with greater success in Thailand (than Malaysia and Singapore). With the PTA in place, a natural attraction will come into play with Bhutan’s sellers (exporters) and Thailand buyers (importers), without any serious push, unlike in Malaysia and Singapore.

THAILAND – POTENTIAL PARTNERS / POTENTIAL CHANNELS

When reviewing the Thailand market without any existing PTA between Bhutan and Thailand, BEA strategically would like to review on market entry and expansion with only two Thailand partners. One of the partner will focus on wholesale (B2B) and preferably in the food services sector while the other is purely in offline retail (B2C), with some network and sales channels. There is no immediate requirement for the B2C partner to have any online retail extension as BEA can easily assist to establish the required online extension.

BEA feels that Healthy Choice Asia, one of the companies that engaged with the delegation, can be a good offline retail (B2C) partner, based on their extension into strategic offline stores and established online channels, their ability to import and re-pack, plus their focus sales channels and consumers being those in the middle and higher income category in Thailand. These attributes will cater to support both Bhutan’s agricultural products and/or, processed foods, or semi-processed food products in bulk packing (bulk load) and Bhutan’s finished or processed products as well.

However, BEA feels that the proposed Bhutan Export Team needs to review on a suitable partner who is positioned for wholesale (B2B) and is currently in the food services sector.

THAILAND – COST ANALYSIS

For Thailand, BEA is unable to define a cost breakdown mainly due to uncertainty caused by Thailand FDA. The uncertainty is a simple point - will the Bhutanese product be approved for import into Thailand and what would be the possible imposed tariff from Thailand customs. Hence, a product cost analysis is not practical, at this stage. From a logistical perspective, with 6 flights between Thailand and Bhutan weekly and sea connections, directly and indirectly, via transshipment, logistical cost estimates can be done at any given time.

BEA recommends the Malaysia Cost Analysis method be used for Thailand's logistical cost analysis for a better understanding and positioning. This will formulate the foundation of logistical cost for all transfer of goods, both air and sea, from Bhutan to Malaysia, or Bhutan to Singapore.

PROPOSAL: 'AGRICULTURE PRODUCTION EXPORT PLAN'

BEA expresses its apology, as BEA will not initiate any proposal for Bhutan's "Agriculture Production Exporting Plan" for Thailand. Thailand Government's protective nature for the food and beverage industry, Thai Customs regulations and Thai FDA are clear obstacles for any potential Thai partner to review by themselves, taking into consideration that the businesses will kick start in low volumes plus have tariffs imposed on imports into Thailand (since there is no FTA agreement between Bhutan and Thailand). BEA recognizes that Thailand market has the potential – example: fruits but it is important that Government to Government level talks are initiated to get selected approvals for Bhutan products, especially fresh produce (apples, oranges, etc.). As advised, due to the (unfortunate) yearly changes in import regulations, it is important to focus on products with no high duty and are not 'protected' by the Thailand authorities.

To capture the Thailand market, prior to PTA's potential implementation, it is key that the proposed Bhutan Export Team reviews on having only two distinct Thailand partners. One partner will undertake wholesale and must have a strong network within the food services sector. The other partner will undertake retail, both offline and online channels only. Together, the proposed Bhutan Export Team and the two Thailand partners, must review on building a 'Brand Bhutan' - with a marketing objective of 'selling a product' and 'selling a concept', hence creating a higher value proposition for Bhutan products (or 'Made In Bhutan' products). In short, the whole approach for 'Brand Bhutan' is about **market demand creation** vs (the traditional way of) reacting to market demands.

BEA does not really see any major logistical challenges, as there are 6 flights between Thailand and Bhutan weekly. From a sea shipment perspective, there are connections from Calcutta (seaport) to Bangkok (seaport), directly (based on vessels) and indirectly (via transshipment).

In conclusion, BEA recommends that Bhutan officials and businesses visit ThaiFex (Anuga Asia), this 23 May to 27 May to understand and capture ideas for 'Brand Bhutan' and review on potential partnerships with suitable Thailand partners. In addition, BEA also recommends that the Bhutan Embassy and the Trade Office in Bangkok review on past commitments by the Thailand Government to accelerate the import procedures for Bhutan's agricultural products and conclude a preferential trade agreement (PTA), preferably by Q3-2023 or December 2023.

Criteria / Factors - Formula

$n < 0$; "n" is number of items approved under Bhutan and Thailand PTA;

Formula For Increasing Exports:

$n \times PTA < 0$; the higher the value on the left ($n \times PTA$), the more exports that will take place
or

B2B Partner + B2C Partner + Bhutan Export Team = Agriculture Production Exporting Plan

