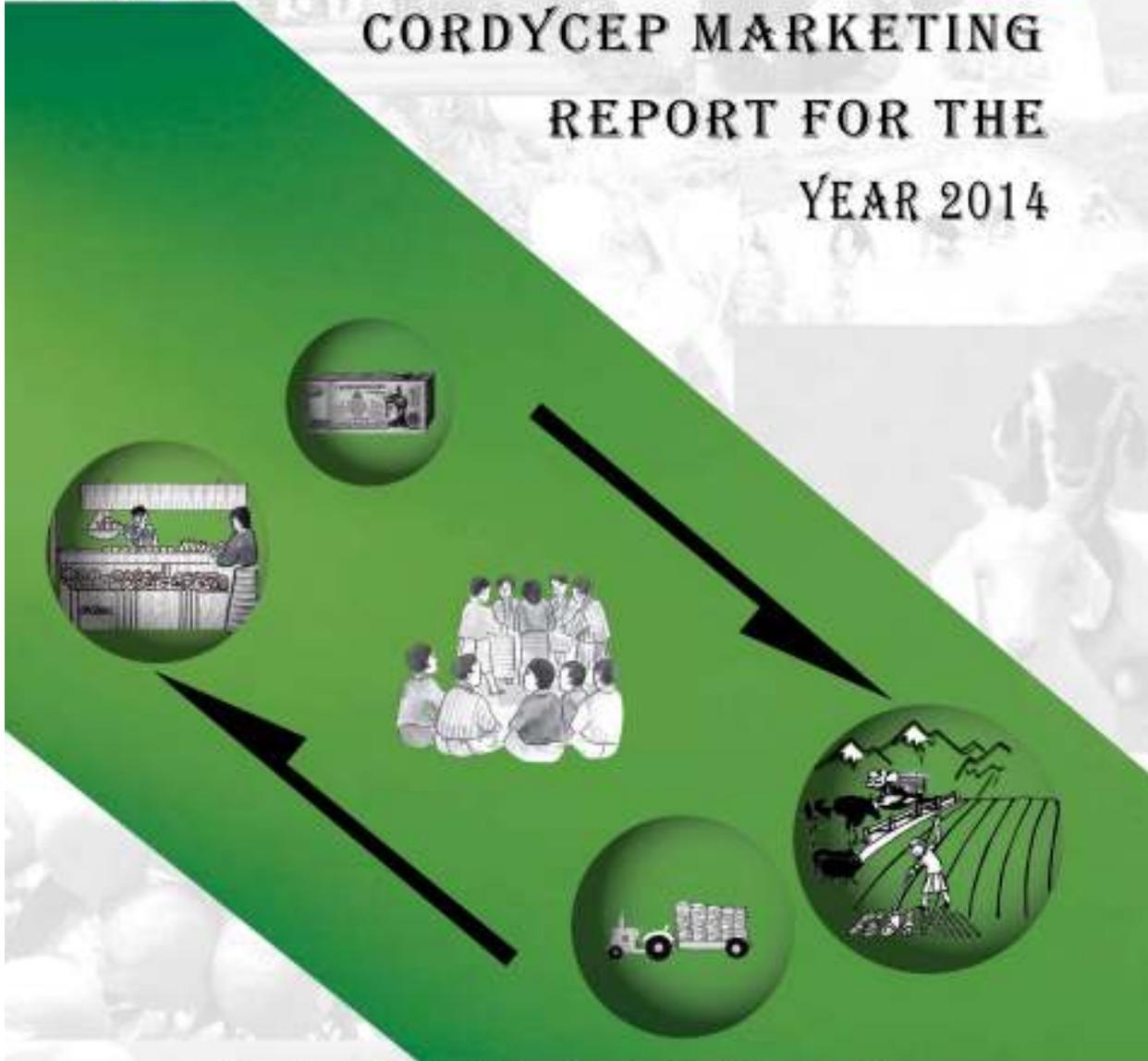




# CORDYCEP MARKETING REPORT FOR THE YEAR 2014



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## Cordycep Marketing report for the 2014 season

### 1. Background:

Based upon the discussion held during the stakeholders workshop on 18<sup>th</sup> March, 2014, many changes were made in the rules, regulation and guidelines concerning cordycep value chain. The royalty amount for cordycep has also been revised to Nu. 8400/kg from existing Nu. 7000/kg and it will be incremental by 20% after every two years. The service charge amount calculated based on cordycep transaction value has been retained at 0.65% as in the previous years. The mode of cordycep marketing was retained as in the previous year, i.e. auctioning by respective gewog administration.

But, unlike in the previous years, the collectors who are not satisfied with the price being offered in the auction can withdraw their products and then market in other auction sites or sell to individuals after the completion of auctioning period. However, they have to avail the necessary documents from the respective gewog and forestry officials. The proposals on reducing the collection permit per households were also made accordingly considering the sustainability practices, however after deliberate discussion; it was retained as before i.e. 3 collection permit per household.

The cordycep auctioning for the current season in the country has started on 10 July, 2014 at Paro dzongkhag and concluded on 3 August, 2014 at Thimphu dzongkhag. The specific venue and dates for conduct of auctioning was also fixed based upon discussion during the workshop.

### 2. Market Information:

The 2014 cordycep season saw an increased number of traders registering to participate in Cordycep auction. A total of 47 traders registered with Department of Agricultural Marketing and Cooperatives(DAMC) for participation in cordycep auction.

The dates and venue for the cordyceps auction has been announced in media and shared through different modes. A total of 11 venues have been selected for 17 different cordyceps collection gewogs. The dates and venues for cordyceps auctioning are annexed with this report.

#### 2. a. Quantity of Cordyceps auctioned in 2014 season:

Sl. No.	Dzongkhag	Collection permit issued	Collectors represented at Auction	Approximate Qty. (kg)	Qty. (Kg)	Withdrawn
1	Bumthang	839	638	54.968	23.389	
2	Wangdue Phodrang	975	470	366.698	56.65	
3	Gasa	865	235	60.913	35.429	
4	Thimphu	422	422	52.257	0.455	
5	Paro	273	260	7.215	1.135	
6	Trashigang	143	73	12.087	0	
7	Lhuntse	22	13	0.471	0	
	<b>Total</b>	<b>3539</b>	<b>2111</b>	<b>554.609</b>	<b>117.058</b>	
	<b>Grand Total</b>					<b>671.667</b>

*Note 1: As DAMC does not have direct access to the data, hence it will be updated as and when we receive from the respective gewog, BAFRA or forestry officials*

Note 2: \* Qty withdrawn refers to the qty. of cordyceps withdrawn from selling through auctioning in the particular auction site

As reflected in the table, this year the production quantity of cordyceps sold through auction amounted to 554.609kg. And about 117.058 kg of cordyceps has been withdrawn from auction and might have been taken to other auction sites, exported directly or sold to individuals after the auctioning period. The total quantity of cordyceps declared at the auction sites amounted to 671.667 kg, resulting in total amount of royalty collection to Nu. 5.64 million. Wangdudphodrang dzongkhag saw the highest amount of cordyceps collection i.e. 423.348 kg and Lhuntse dzongkhag the lowest i.e. 0.471 gm.

While there are 100% representation of collectors at auction sites like Thimphu dzongkhag but there are cases like in Gasa dzongkhag, where the representation of collectors at auction is not even 30%. A total of 3539 collection permits were issued by respective gewog administration across the country, and about 2111 collectors participated during the auction.

## 2. b. Cordyceps transaction trend:

Comparative Transaction Record for Cordyceps from 2004 to 2014											
Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Cordyceps production</b>	175	200	507	140.4	672	594	550	169	235.8	677.9	671.6
<b>Export(Kg)</b>	151	196	432	-	-	372	718.9	211	377.9	586.5	NA
<b>Royalty(Nu in Mn)</b>	0.63	1.36	2.02	0.98	4.76	3.85	3.8	1.4	1.65	4.77	5.64
<b>Price—Min to Max(Nu. In Mn)</b>	0.04 -0.08	0.08 -0.64	0.02- 0.13	0.02 -0.15	0.02 - 0.25	0.015 -0.35	0.01- 0.49	0.25 -	0.051 -1.22	0.067 -1.21	0.072 - 1.326
<b>Average price(Nu. In Mn)</b>	0.06	0.36	0.07 5	0.08 5	0.14	0.18	0.16	0.43	0.64	0.67	0.7
<b>No. of registered bidders</b>	-	-	22	24	27	21	28	32	38	43	47

As reflected in the table above, this year, 2014 saw almost an equal amount of cordyceps like in the previous year. The lowest quantity transacted was in the year 2007, where only 140.4 kg of cordyceps were transacted through auction. This year, the total quantity declared was 671.587kg, from which 554.609 kg was auctioned. As the number of bidders registering for cordyceps auction has been increasing over the year, the price of cordyceps has been increasing accordingly. Initially, only about 22 traders registered with DAMC for participation during auctions but over the years, the department has been making efforts in order to ensure maximum number of bidders participation hence by this year, the number of bidder registration has doubled recording

one of the highest over the years i.e. 47 bidders. A total of Nu. 5.64 Mn. was collected as royalty which is one of the highest till date.

The average price of cordyceps has also increased significantly, initially in 2004, the average price per kilogram of cordyceps was Nu. 0.065 Mn, where as this year, 2014 the average price has reached to Nu. 0.7 Mn per kilogram of cordyceps. As in the previous years, the cordyceps brought by Lunana gewog collectors fetched the maximum price i.e. Nu. 1.326 Mn for a kilogram of cordyceps. The lowest price fetched was Nu. 0.07 Mn per kilogram, at Khoma, Lhuntse.

### 3. Overall experiences and recommendations:

Sl. No.	Observation/feedback from stakeholders	Impacts/Implication	Recommendation
1.	As in the previous years, the presence of foreigner at the collection sites has been a matter of concern for officials facilitating auction.	The presence of foreigner can have negative impact on the overall price of cordyceps in the country, especially if the foreigners happen to be cordyceps traders then it will prove unhealthy for the existing system.	The respective gewog administration should not allow the presence of any individuals apart from government officials, collectors and registered bidders at auction premises. If any registered bidders are involved in such practices, they should be blacklisted from participation in the future.
2.	The business transaction documents have not been printed in advance or the concerned officials are not so aware on the presence of different documents.	The failure to produce these document or absence of appropriate form might result in complications while exporting the consignment or the consignment may be considered illegal.	The respective gewog administration staffs attending cordyceps stakeholders workshop should make an effort to explain regarding these documents after going back to their gewogs. Further, DAMC officials should make awareness on the different business transaction document forms.
3.	Bidders are being represented by different individuals without informing the concerned officials	Such practices are leading to unsystematic auctioning process and may lead to serious problems if not monitored	The gewog administration should make sure that the bidders are registered with DAMC while registering the bidders at the auction site and make it mandatory to display the card at all times during the auctioning process. Further, DAMC should come up with an agreement to be

			signed with the trader during the time of registration in the future.
4.	Government officials also expressed that changes in rules, guidelines and minutes of the stakeholders workshop are not communicated to them hence they are not aware on the changes.	The inevitable changes in rules, guidelines and minutes of the stakeholders meeting are key factors that are made based upon trial and errors. If these changes are not communicated properly then it may lead to inefficiency and ineffectiveness of the whole value chain	The head of organizations should ensure the rules; guidelines and minutes of the stakeholders are communicated to the concerned field staffs in order to ensure smooth auctioning process.
5.	Few gewog administrative heads also appraised concerns with regard to stalls/shops at collection sites. These shops leads to increased waste disposal and these shop/stall owners also procures cordyceps from the collectors at collection sites.	If the people are left freely to operate stalls in the collection site, then as expressed by the local government officials, the waste disposal problem may arise challenging the sustainability of the cordycep business. These practices are also threat to the marketing system, since they may add another layer to the marketing chain.	The concerned forestry officials and gewog administration should not allow such stalls to operate in the collection sites considering sustainable management practice and other marketing concerns.
6.	Different Cordycep species were brought to the auction sites. As in the past years, people brining such type of cordycep were not allowed to participate in the auctions. Such cordycep species were also mixed with the usual cordyceps and they tried to sell.	If these species are mixed with the usual cordycep and sent to export markets then it may have serious implications on the image of Bhutan's cordycep as a whole in the future.	The Bhutan Agriculture and Food Regulatory Authority(BAFRA) officials should try to check the chemical constituent of such species and provide feedbacks accordingly. But until such time, these cordycep species should not be allowed in the auctioning. Mean while, DAMC should try to explore market for the different cordycep species.
7.	Auction venue for some gewogs has been found very inconvenient for cordycep collectors as well as bidders. Especially considering the monsoon season and other factors, the auction location has been deemed in appropriate	An inappropriate auction site might lead to few bidder turnover and decrease in collector turnover leading to an inefficient system. It will have greater impact on the price of cordycep as well.	The respective gewog representative attending stakeholder's workshop should make proposal on the auction venue considering all the factors and to ensure convenience for all.
8.	A lot of resource wastage is felt in places, where the total	It will continue to drain out resources, if interventions are	The respective gewog administration should take

	quantity of cordyceps amounts to less than one kilogram. Since there is involvement of lot of government officials, logistic preparations, etc.	not made accordingly. Since there are few bidder turnovers considering the quantity of cordyceps, the price may not be competitive as well.	initiatives in carrying all the cordyceps from the gewog and sell in other auction sites rather than holding auctions in their own gewog.
9.	Misuse of resources such as lotcards, etc. has been experienced in few auction sites. While the gewogs are entrusted with all the authority to conduct auctioning process, they don't seem to be aware on the responsibilities and accountability associated with the authority.	Such malpractices in the system will lead to loopholes leading to failure of the whole process.	The respective gewog administration should delegate the responsibilities prior to the auctioning day and accordingly remind each one of their responsibilities and accountability. Further the government officials present at the auction sites should be more vigilant and alert on such happenings.
10.	Adulteration of cordyceps and presence foreign particles such as wood prick inside the cordyceps has been found in few cases.	Such malpractices will create bad image for the cordyceps from our country, if it is exported. It may lead to breakage in market linkage.	The collectors should be sensitized on negative impacts that may be created due to such practices. For now, BAFRA officials should take necessary action as per the existing rules and regulation.
11.	In some of the gewogs, the service charge collected by gewog administration has been found insufficient for necessary logistic arrangement.	Failure to arrange necessary logistics at the auction sites can create lot of inconvenience for various stakeholders present.	A fixed amount should be collected from the registered bidders from the following year in order to disburse to respective gewogs for necessary logistic arrangement.
12.	While in most of the gewogs police personals were present but in few gewogs, police personals were absent.	Since cordyceps trading involves huge amount of cash and other resources, the need for police personal at all the auction sites was deemed very important. Further the presence of police personal will also help ensure smooth auctioning process without nuisance.	The respective gewog administration at all sites shall request and ensure the presence of police personals as per the cordyceps auctioning guidelines.
13.	Systematic payment mode was observed in a particular auction site. In this system, an accountant appointed by gewog administration collects the total bid amount directly from the buyer. And then disburse to the collectors as per lot card.	Such practice ensures more systematic mode of marketing, it provides more time for the buyers to bid for the next lot and prevents collectors from getting confused after the auctions for payment.	If all the respective gewog administration could adopt such practices at the earliest.
14.	Since the legalization of	Absence of grading standards	DAMC officials should come

	cordyceps collection, the grading for cordyceps is being done during auctions. But still, we do not have any standards while segregating the lots.	has been an issue and the visual sorting committee faces challenge during the auctions. If such standards are not in place, the collectors will not have a clear idea on such aspects even in the future and continue fetching low price due to grading error.	up with a grading standards based upon market demand and create advocacy among the collectors accordingly.
15.	Standard packaging and weighing system should be introduced in the future since collectors bring cordyceps in different packets/containers. Accordingly, if the weighing can be done well in advance before it is segregated in lots in order to ensure smooth auctioning process.	Such practices will lead to uniformity in packaging and ensure increased price for cordyceps. It will reduce damages to the cordyceps and moreover it will be help visual sorting committee while segregating the lots.	The respective gewog administration and DAMC should initiate discussions for introduction of such system in the auction sites.
16.	The traders registering with DAMC has been submitting security deposit in the different forms.	If it is not regulated properly, it may lead to serious problems where the security deposit may not serve its purpose.	From henceforth, DAMC should accept security deposit in the form of only bank draft or bank guarantee.
17.	Certificate of origin implementation has been considered one of the critical factors for success of the whole value chain. But implementation has been a challenge right from the beginning. While few gewogs have been successful in implementation but it has been a challenge in other gewogs. Some of the indication of the failure in implementation can be issuance of certificate of origin for 5kg of cordyceps for a single individual while on the contrary others have been issued few hundred grams. Registration of collectors based upon the certificate of origin prior to the conduct of auction leads to systematic conduct of auction.	While there are many factors that are vital for the value chain, but if the certificate of origin is not implemented effectively then the whole auctioning process can be considered a failure. Failure to implement might result in layers of player in the marketing chain leading to marginal benefit to the main collectors which completely defeats the sole purpose of legalizing such a system.	With due respect and recognizing the challenges faced by Department of Forest and Park Services (DoFPS) officials on the high passes, if they can accordingly pursue further on implementation of certificate of origin, it will truly benefit the whole system. And forestry officials in few gewogs proved its possibility by implementing successfully in their respective area. The number of collection turnover can also be tracked if such systems are in place.

#### **4. Conclusion:**

While the cordyceps value chain has been considered very crucial in enhancing livelihoods of many highlanders and government has been putting in every efforts to ensure effectiveness in delivering the purpose but further there are many actions that should be undertaken at the earliest. A team comprising of DAMC, BAFRA, National Post Harvest Centre(NPHC) and DoFPS officials should start creating awareness on various aspect of the value chain on a phase wise basis, if not on country wide basis at one go. The team needs to meet and explain to the main actors on importance of having a proper system in place, the best practices, etc.

The need was felt on the part of respective gewog administration and forestry officials to ask explanation from collectors, who did not turn out during the cordyceps auctions based upon collection permit and certificate of origin. In few gewogs, the turnover of collectors at auction is found to be less than 30%.

While the various stakeholders comprising of gewog administration, NPHC, BAFRA, DoFPS and DAMC have been successful in facilitation of the cordyceps marketing for the current season, yet there are areas where small interventions can make enormous impact in the lives of the people. The implementation of certificate of origin remains a challenge in most of the gewogs, the current marketing mode is highly dependent on implementation of this document, hence the success or failure of the whole system relies upon the implementation of certificate of origin.

Finally, the department would like to express our sincere gratitude and we would like to convey that, it was truly a privilege to be part of dedicated team focused towards improving the socio-economic condition of the highlanders. Further, let's be reminded that there lies a greater responsibility for all the stakeholders to ensure benefit for all the collectors and not just few influential in the cordyceps value chain.

***Annexure 1: Date and Venue for Cordycep Auction, 2014.***

<b>Sl. No</b>	<b>Dzongkhags</b>	<b>Gewog</b>	<b>Place of Auction</b>	<b>Date</b>
1	Paro	Soe	Tshento Gup Office	10 & 11/07/2014
		Tshento		
		Dotey		
2	Thimphu	Lingzhi	Dodena	12/07/2014
2	Gasa	Khatoe	Gasa Dzong	14 & 15-Jul- 2014
		Laya		
		Khamey	Damji	16 & 17-Jul- 2014
		Lunana		
3	Wangduephodrang	Kashi	Damjithang	19-Jul-14
		Dangchu	Dangchu Gup Office	20-Jul-14
		Gangtey	Gangtey Gup Office	21-Jul-14
		Sephu	Sephu Gup Office	22 & 23/07/2014
4	Bumthang	Chokhor	Chokhor Gup Office	25 & 26-Jul- 2014
		Chumey		
5	Trashiyangtse	Bomdelling	Bomdelling Park Office	28-Jul-14
6	Lhuentse	Khoma	Bomdelling Park Office	30-Jul-14
7	Thimphu	Naro	Dodena	2 & 3 August- 14