



Ensuring Food Security At All Times

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Food Corporation of Bhutan Limited

ANNUAL REPORT

2020



3rd Edition

Published in August 2021

Published by

Food Corporation of Bhutan Limited (FCBL)

Phuentsholing: Bhutan

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BOARD OF DIRECTORS



Chairman
Dasho Rinzin Dorji
Secretary
Ministry of Agriculture
and Forests



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Mr. Karma Tshering
Director General
Department of School
Education, MOE



Director
Mr. Norbu Dhendup
Chief of Investment &
Corporate Governance
Division, MOF



Director
Mr. Laidgden Dzed
Senior Dietician &
nutritionist, MOPH



Member secretary
Mr. Naiten Wangchuk
Chief Executive Officer,
FCBL

MESSAGE FROM CHAIRMAN

It is a privilege for me to place before you, FCBL's Annual Report for the year 2020, and to draw your attention to a few highlights of the year. It was a challenging year with the outbreak of COVID 19 and Bhutan like other countries was impacted in several ways. The lock downs and restrictions on movement of people and goods made it challenging for FCBL to provide its service to the people. Essential commodities such as food grains, fast moving consumer goods were delivered to households by Food Corporation of Bhutan Limited as well as private wholesaler.

In 2020, FCBL imported 31,758.58 MT of food grain items and 22,552.99 MT of FMCG goods. Despite the challenges of pandemic, FCBL ensured to maintain National Food Security Reserves (NFSR) for 50% of population with adequacy to feed for six months fulfilling the mandated social responsibility.

Under school feeding program, delivery of nine non-perishable items were initiated only after the second quarter as schools remained closed due to pandemic in the first quarter. In total, 362 schools and 67,082 students were covered under the program. In addition to nine non-perishable items, FCBL also supplied perishable items, mostly vegetable, fruits, and livestock produce to 155 schools as a part of School and Hospital Feeding Program (SHFP) in collaboration with Farm Machinery Corporation Limited (FMCL) and Bhutan Livestock Development Corporation Limited (BLDCL).

To assure market facilitation for RNR produce, FCBL operated facilitation centers at various strategic locations across the country. While the initiative had benefited the farmers, the return from the services were poor due to disruptions of market on the one hand and competition from the private traders on the other. In 2020, revenue earnings for the RNR trading was only Nu. 163 million, which had reduced by 83 percent as compared to the revenue earning of 2019.

Complying with COVID protocols and at the same time assuring the delivery of services in time, operational expenses have increased substantially thereby impacting the financial performance of the company. Nonetheless, social benefits and services to clients were given an utmost priority and essential commodities were made available to the public at affordable rates amidst the pandemic.

As we continue to face the challenges of the pandemic under the benevolent leadership of His Majesty The King, I urge all the relevant stakeholders to render your continued support to FCBL in providing its services to the public effectively. I wish all the readers good health. Stay safe.

Tashi Delek!



Rinzin Dorji
Chairman

FOREWORD

The Annual Report 2020 provides inclusive performance of the company's functions and activities for the calendar year. The report is based on data retrieved from the ERP system and remarks from the concerned divisions.

This report is published annually with the aim to provide condensed summary of the major activities of divisions and units within the mandated social and the corporate responsibilities of the company. I am pleased to inform that the company under its social services still continues to provide uncompromised support to the youth employment program of the government under farm shop operations.

I would, on behalf of the Board, like to extend my deepest gratitude to all the employees of FCBL for their dedication, commitment and contribution to the corporation throughout the year. The resilience that all the employees have shown through the challenging periods of the year serving in the field is truly commendable. Moreover, the effective interventions and support by the Board Members, Chairman and relevant shareholders and decision makers is always gratifying for successful year of the company.

Finally, I take this opportunity to thank all who have contributed in the formulation of this report.



Naiten Wangchuk
Chief Executive Officer



EXECUTIVE SUMMARY

Food Corporation of Bhutan Limited was established under the Royal Charter issued by His Majesty the Fourth Druk Gyalpo, Jigme Singye Wangchuck, on the 16 August 1974. It was started with the aim to have a centralized procurement and distribution system for supply of essential food across the country at all times.

At present, the corporation is supported by three regional offices at Thimphu, Gelephu and Samdrup Jongkhar with Corporate Head Office at Phuentsholing. It operates through four regional warehouses, 21 district level food stores, and four retail stores across the country. The agricultural marketing services are facilitated by four strategically located regional auction yards.

The Company is managed by 503 employees across the country. It constitutes 252 regular, 64 under General Service Personnel, 23 temporary employees and 164 under Annual Renewal Contract mostly operating farm shops. In addition, company recruited total of 90 youth laborers to overcome labor shortage due to Pandemic.

In 2020, the company handled 21,787.33 MT of food grain items generating revenue of Nu.931 million and 4,943.19 MT of FMCG goods generated the revenue of Nu.810 million. FCBL earned overall revenue of Nu.163 million from RNR produce which is a sharp drop as compared to the previous year mainly due to the pandemic. Over the period, the business was badly affected with borders closed wherein only 1463.8 MT worth Nu. 11.3 million of RNR produce was traded.

This year, under school feeding program, the company delivered both perishable and non-perishable items. Total of nine non-perishable items were delivered to 362 schools, feeding 67,082 students across the country. On the other hand, introduction of perishable items started off in 7 Dzongkhags which covered 155 schools depending on the demands from schools.

Rural communities are still benefitted from the service catered by FCBL through 118 farm shops though its operation has incurred loss. In 2020, farm shop operation inflicted loss of Nu.28.46 million.

The primary mandate of FCBL is to maintain food security reserve by holding required level of stocks for National and SAARC Food Reserve. Also, it maintains adequate food reserves and distribute to the people at all times through the FCBL outlets. This year, with Pandemic hitting hard; the target of maintaining the food reserves fell short by 30% due to storage issues.

COMPANY AT A GLANCE

FMCG
business
Nu.810
million



Food Grain
business
Nu.931
million



Agricultural
marketing
services
Nu.163 million



VISION

Ensuring Food Security for the Nation at all times.

MISSION

Ensuring availability, affordability and accessibility of quality food for all by providing reliable and sustainable marketing platform and distribution chain for farm produce and essential commodities across the country.



BACKGROUND & CURRENT STATUS

BACKGROUND

Food Corporation of Bhutan Limited was instituted as a government agency and later on 8th July 1992, it was registered as the first State owned Enterprise under the Companies Act of the Kingdom of Bhutan.

CURRENT STATUS

The company has its Corporate Head Office at Phuentsholing supported by three regional offices located at Thimphu, Gelephu and Samdrup Jongkhar. It operates four regional warehouses, 21 district level food stores, four retail stores and 118 farm shops to cater food and essential items across the country.

As a state owned enterprise, the key areas of operations of FCBL are to:

- Maintain National Food Security Reserve for the nation at all times.
- Stabilize price of commodities through operation of fair price wholesale and retail outlets.
- Provide reliable platform for the farmers to trade their agricultural produces.
- Facilitate smooth functioning of the school feeding programs.

Despite the challenges of Covid-19 pandemic in 2020, the company delivered its services through food and essential commodities business with major focus on NFSR besides normal business. Similarly; agricultural marketing service, school feeding programs and other services continued though at reduced phase compared to the previous years.

The company deals with diversified products while reaching customers demand. This year it dealt with 122 food grain items and 657 fast moving commodity goods across the country.

Import trend of food grain items for last 5 years shows rapid increase in 2020 both by value and volume as depicted in figure 3.

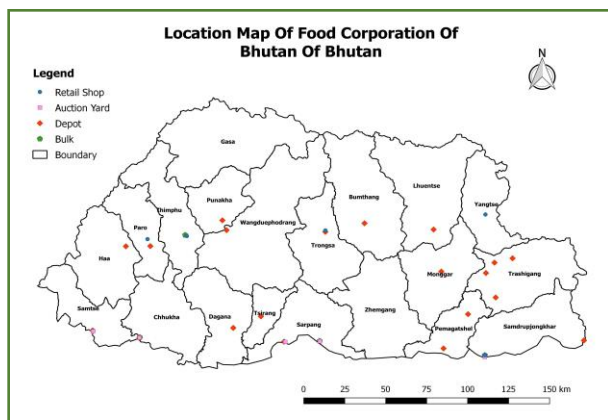


Figure 2. Map showing Bulk Stores, Depots, Retail Stores & Auction yards.

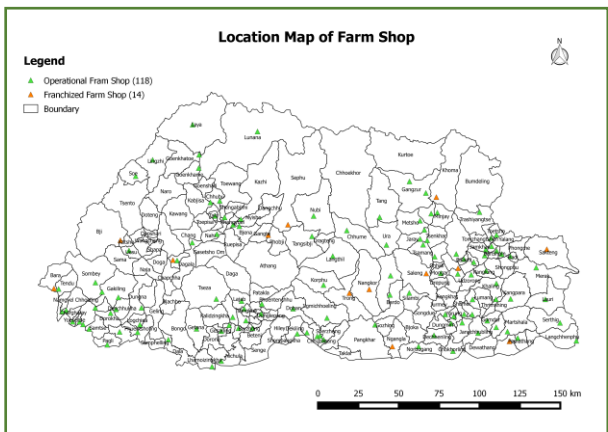


Figure 3. Map showing farm shops.

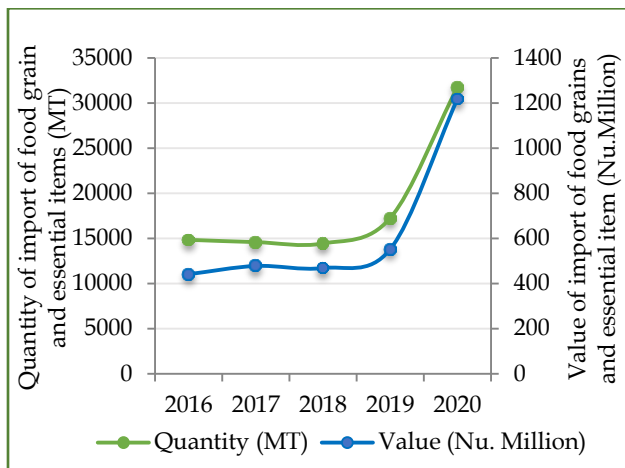


Figure 3. Import of food grain and essential items in Volume & Value (2016-2020).

The volume of imports on FMCG has decline by 12% and the value increased by 28% during the year as compared to the previous year as shown in figure 4. In 2020, 22552.99 MT¹ of FMCG worth of Nu 766 million was imported.

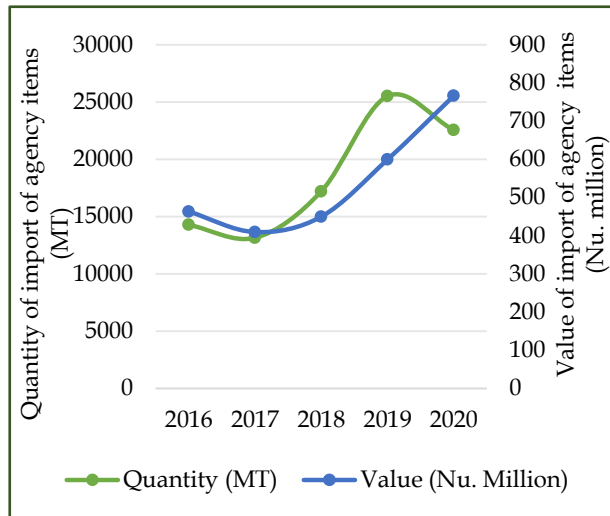


Figure 4. Import of agency items in volume & value (2016-2020).

After a steady increase in the export of potato in 2018 & 2019, there is massive drop this year. In 2020, only 2788.09 MT of potato was exported generating revenue of Nu.77.04 million (Fig.5).The export reduced by 92% and 91% by volume and value respectively with pandemic hitting hard on export business.

Similarly, export value and volume of vegetable during the year decreased though its trend fluctuated between years since 2015. Vegetable export decreased in volume and value by 37% and 63% respectively in 2020 (Fig.6). Thus, total of 3205.48 MT of vegetables was exported worth Nu.61.50 million.

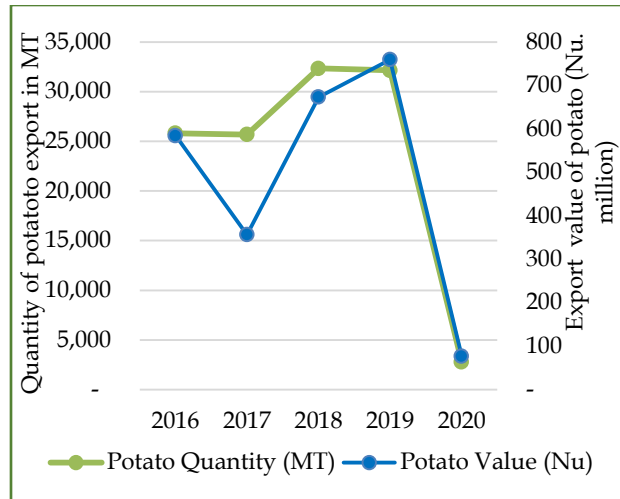


Figure 5. Export trend of potato.

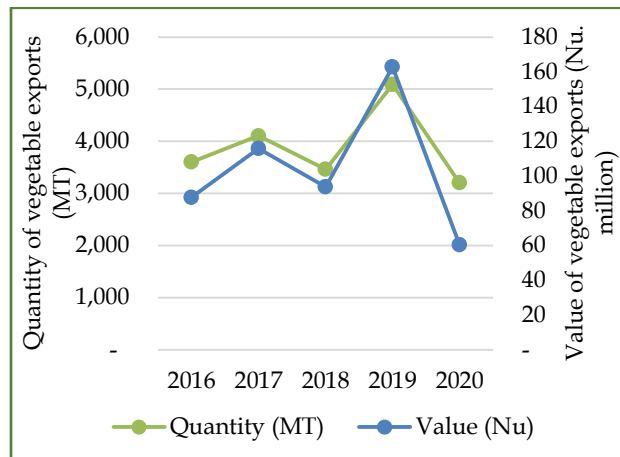


Figure 6. Export trend of Vegetables.

Assorted produce like spices, arecanut, oranges, pulses and other fruits were also exported. In 2020, a total of 970.07 MT of assorted produce worth of Nu.24.86 million was exported apart from potato and vegetable export.

¹ For uniformity, agency items quantity was converted to MT.



BUSINESS ON FOOD GRAIN & ESSENTIAL COMMODITIES

SALES OF FOOD GRAIN AND ESSENTIAL ITEMS

Despite Covid-19 pandemic, FCBL imported a total of 22718.59 MT² comprising of 122 food and essential items and was able to generate revenue of Nu. 931.35 million through sales. The overall quantity sold and the revenue generation increased by 75% on an average as compared to the previous year.

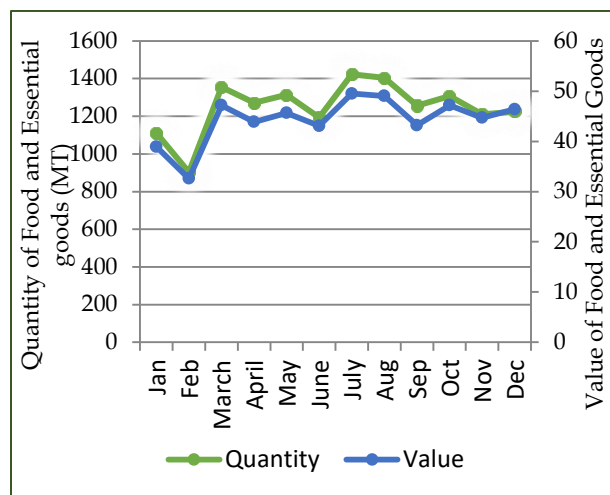


Figure 7. Monthly sales and revenue trends of food and essential commodities

The August month recorded the highest revenue generation and the lowest was in February with Nu 140.44 million and Nu. 43.79 million respectively. The revenue generation from the remaining months ranged between Nu. 48 to Nu.97 million. Likewise, quantity of goods sold followed the similar trend with maximum quantity sold in July (3237.4 MT) and minimum in February (1122.14 MT) as shown in figure 7.

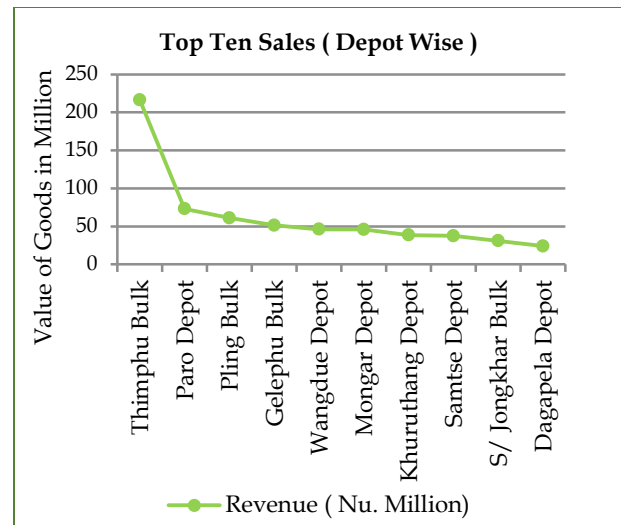


Figure 8. Top Ten sales (Depot Wise)

Among 122 items, the highest sale was from Rice 551 New with 4316.29 MT and generated the revenue of Nu.123.96 million, followed by Zheychem Gongma 25kg (Nu.55.62 million) and Zheychem Chogjor 20kg (Nu.63.6 million). The huge quantity of Rice 551 was sold to the institutions such as RBP, colleges and private schools. Below are the details of the top ten items:

Table 1: Top ten food and essential items

Standard Item List	Revenue (Nu.Million)
Rice 551 new	123.96
Zheychem gongma 25kg	55.62
Zheychem chogjor 20kg	63.64
Rice sk gold jpc 25kg	35.29
Zheychem kuenga 25kg	35.94
Sugar s 30 50kg	34.67
Dalda ruchi pch 1ltr*16	57.21
Zheychem dangpa 20kg	38.82
Refine oil himani best choice 5ltr*4	48.48
Rice 777 25kg	15.30

² Excludes sales of agency items by farm shops

During 2020, Thimphu Bulk store contributed the highest revenue with Nu. 216.4 million followed by Paro Depot with Nu 73.13 million (Fig.8). Despite Covid-19 pandemic, the sales of

food grains and essential items has improved drastically compared to 2019 financial year with total revenue Nu.531.42 in 2019 and Nu.931.35 in 2020 respectively.

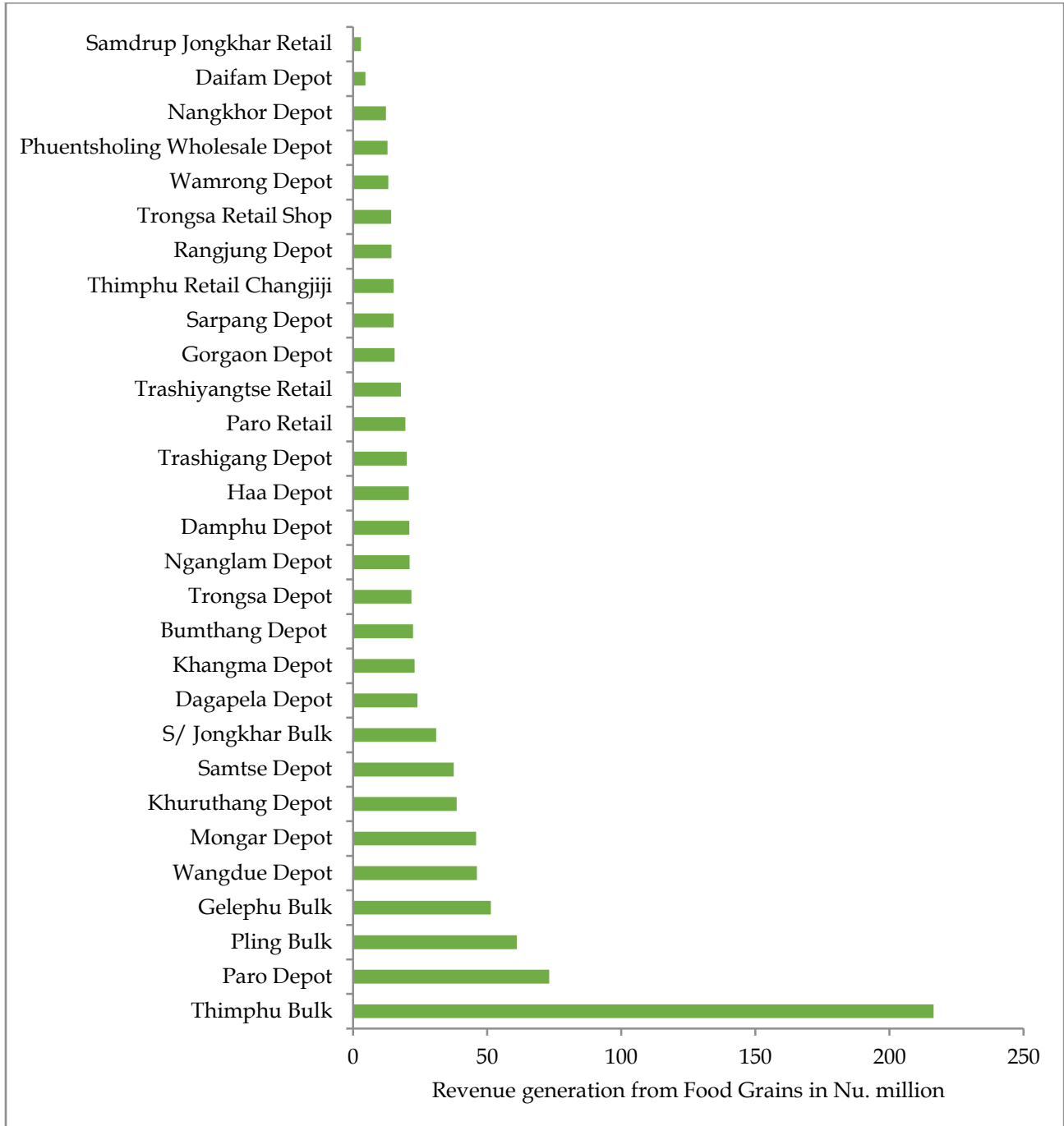


Figure 9. Location wise sales revenue of food and essential commodities



BUSINESS ON FAST-MOVING CONSUMER GOODS

SALES OF FMCG

FCBL handled 19 different categories of fast moving consumer goods constituting 657 standard items in 2020 (Table 2).

Table 2: Product categories of FMCG

Product category	Types of items
Baby care	13
Biscuits	151
Beverages	53
Confectionaries	43
Cosmetics	20
Dairy products	42
Detergent	37
Dish wash	27
Disinfectants	17
Edible oil	11
Instant noodles	20
Pickles	3
Repellent incense	15
Salt	1
Shoe Polish	2
Snacks	26
Soup	13
Tea products	21
Toiletries	142
Total	657

The overall sale of FMCG in 2020 has increased by 27% as compared to the previous year with 4,943.19 MT³ generating Nu.810 million. The monthly sales trend indicates the highest revenue generation in October & November month with Nu.79 million and the lowest in April with Nu.52 million. The volume of transaction followed the same trend. The trend of sales by quantity and values are shown in figure 10. According to the top ten FMCG as shown in table 3, the most sold items are all from Dairy products category.

³ Excludes sales of agency items by farm shops

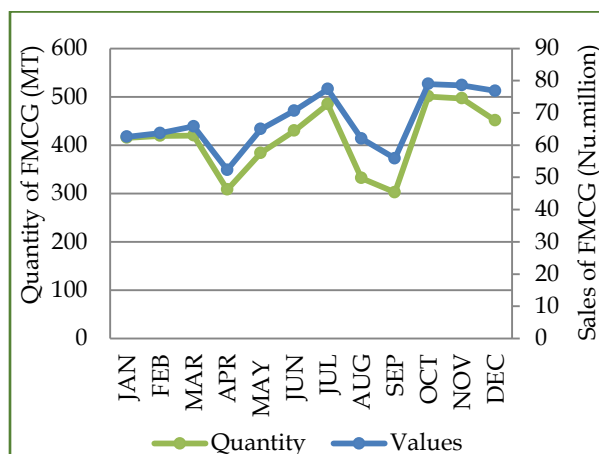


Figure 10. Monthly sales & revenue trend of FMCG

Among the 29⁴ sales outlets, Thimphu bulk store generated highest sales revenue of Nu.130 million followed by Wangdue and Paro Depots with revenue of Nu.65 million and Nu.56 million respectively (Fig.11).

Table 3: Top ten FMCG

Item list	Revenue (Nu.Million)
Everyday Dairy Whitener Plain 800gm*20	80.86
Everyday Dairy Whitener 1kg*12	67.60
Britania Cheese Block 1kg*12	65.16
Amul Taaza Toned 1ltr*12	42.50
Amul Butter CB 500gm*30	25.45
Keventer Double Toned Milk 1ltr*12	22.19
Everyday Dairy Whitener 30 Off 800gm*20	20.00
Britania Cheese Slice 200gm*30	19.78
Britania Cheese Ceka 400gm*30	19.44
Everyday Dairy Whitner 400gm*32	16.94

⁴ Excluding farm shops

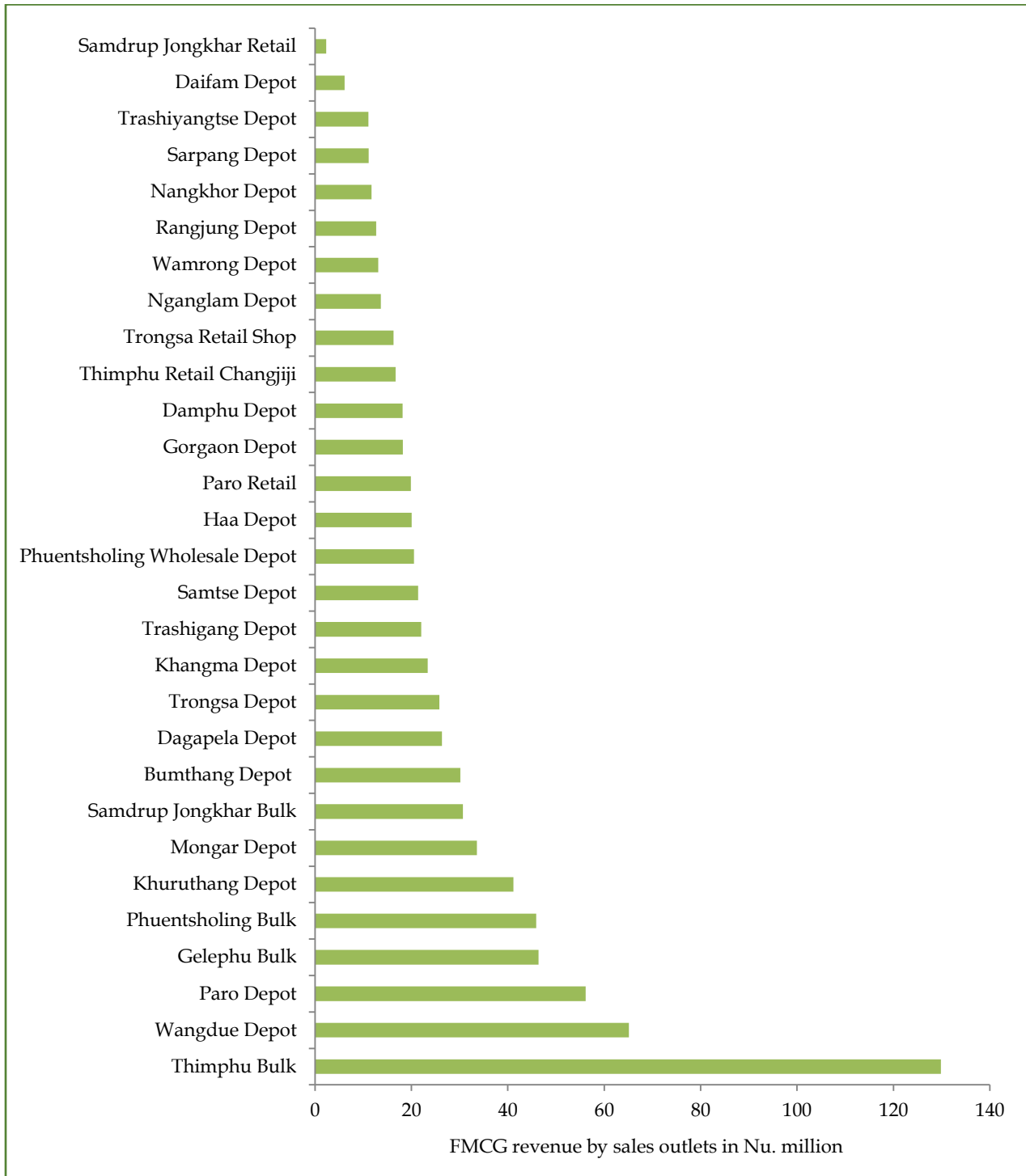


Figure 11. Location wise sales revenue of Fast Moving Consumer Goods



AGRICULTURAL MARKETING & SERVICES

Annual Report 2020

AUCTIONING SERVICES

The operation of auction system has become slightly different due to Covid-19 pandemic. FCBL opened temporary collection points at various strategic locations across the country for the convenience of the farmers. The company-initiated door to door service to the farmers at the rate set by DAMC. It has benefited growers but it has also become a challenge for FCBL at large.

In 2020, 6,963.64 MT of RNR produces were traded generating revenue of Nu.162.40 million as shown in table 4. The operation of RNR business has changed from proving auction facilities to purchase & sales in 2020 because of the pandemic and thereby it has disrupted the auction business. Hardly, the auctioned quantity remained at 1463.82 MT of farm produces in various locations and generated the revenue of 31.59 million. It shows both the quantity and value has declined as compared to 2019. However, the domestic sale and the export on the other hand were in full swing during the period. The revenue earned from export and domestic sale of RNR produces accounted of Nu 597.52 million.

Table 4. Quantity and value of RNR produce Traded in 2020

Items	Quantity (MT)	Value (Nu. millions)
Potato	2,788.09	77.04
Vegetables	3,205.48	60.50
Arecanuts	581.90	13.26
Pulses	46.14	3.20
Spices	279.68	6.89
Citrus	62.26	1.50
Other Fruits	0.09	0.00047
Total	6,963.64	162.40

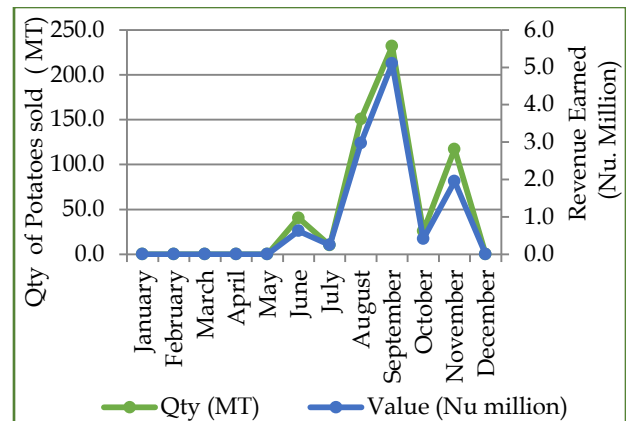


Figure 12. Monthly potato auction trend (2020)

Normally, the operation of RNR business is done in both online and conventional platform from various locations but in 2020 owing to Covid-19 pandemic and the closure of the borders the auction of the RNR produces has been disrupted. However, from Samdrup Jongkhar auction yard the total of 575.63 MT potatoes was auction through conventional method generating revenue of 11.3 million. The total potato auctioned in 2020 has declined drastically as compared to 2019 because of the pandemic. Although, auction period starts from mid of May till December, during 2020 it was observed that auction services lasted for only six months. The major exports during this period were in the month of August and September (Fig. 12).

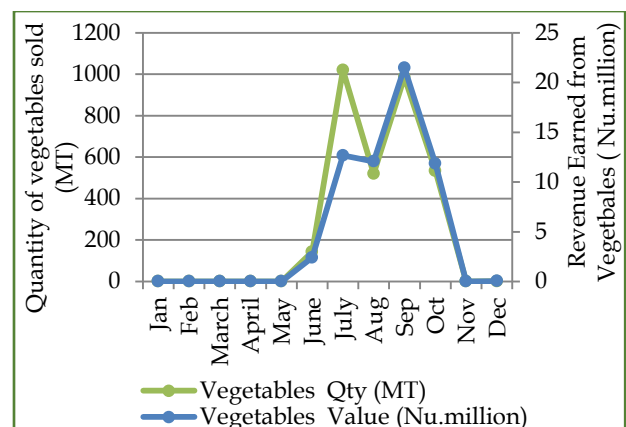


Figure 13. Monthly sales trend of Vegetables

The total vegetables of 3205.48 MT were sold in domestic market and exported during the period generating revenue of Nu.60.50 million. The peak season for vegetable business was from June to October (Fig 13).

BUY BACK FROM SOURCE

Over the year, FCBL also traded good volume of spices, Arecanuts, oranges, pulses and other fruits.

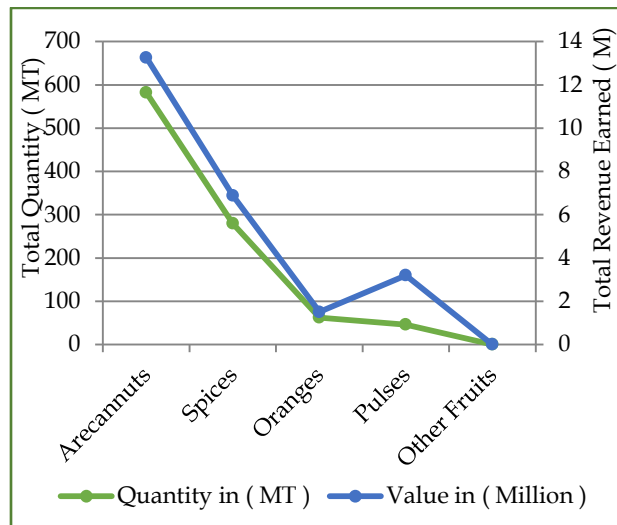


Figure 14. Monthly auctioned report of spices (2020)

Apart from market facilitation through auctioning services of RNR produces, FCBL procured Arecanuts, Pulses (Rajma, Lentils and Quinoa), Spices (Ginger), Oranges and other fruits from Buyback Source. Beside auction services, the total quantity of 970.06 MT of farmer produces was sold in domestic market as well as exported generating revenue of Nu. 24.86 million (Fig. 14).

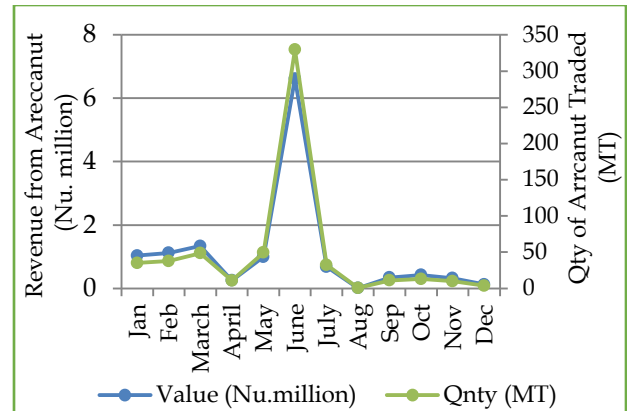


Figure 15. Monthly auctioned report of Arecanuts (2020)

In 2020, FCBL managed to auction the total of 581.9 MT Arecanuts from Samdrup Jongkhar and Samtse auction yard and earned revenue of 13.26 million. The peak season of Arecanut was in the month of June (Fig 15). Likewise, the total quantity of 244.08 MT of spices was traded through conventional auction from Samdrup Jongkhar, Samtse and Gelephu region (Fig.16).

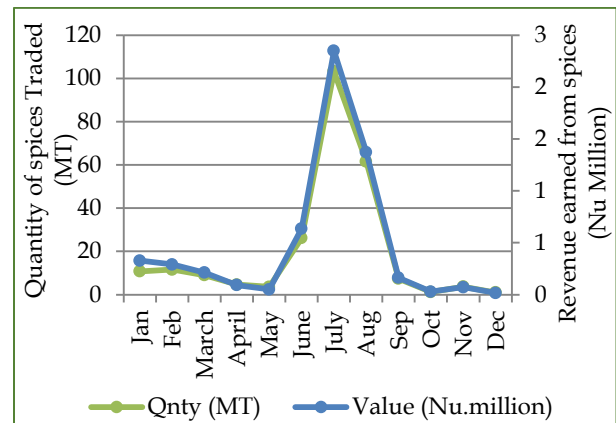


Figure 16. Monthly auctioned report of spices (2020)



FARM SHOP OPERATION

FARM SHOP OPERATION

The farm shop operation serves to benefit the farmers at large. It helps in catering the seeds, tools and implements, animal feeds and the essential groceries available at their doorstep in the rural area. However, its operation has proven non-economical, and over the past three years, FCBL has incurred loss of Nu.103.62 million. The operation expenses are significantly high compared to the revenue generated by the farm shops.

Table 5: Financial loss from Farm shops

Particular	2018 (Nu. M)	2019 (Nu. M)	2020 (Nu. M)
Net Revenue	13.621	8.467	10.49
Expenditure	53.152	44.089	38.96
Profit/Loss	-39.531	-35.62	-28.46

SALES OF FOOD AND ESSENTIALS ITEMS BY FARM SHOPS

Regardless of Covid-19 pandemic, the sales of food and essential commodities by Farm Shops increased as compared to the previous year. The quantity and value increased by 76% and 93% respectively over 2019 which indicate better sales and income generation.

About 3846.74 MT of food and essential commodities were sold through farm shops and generated revenue of Nu. 160.39 million. The sale from aforementioned activity recorded highest during the month of August (Fig 17) attributed by nationwide lockdown.

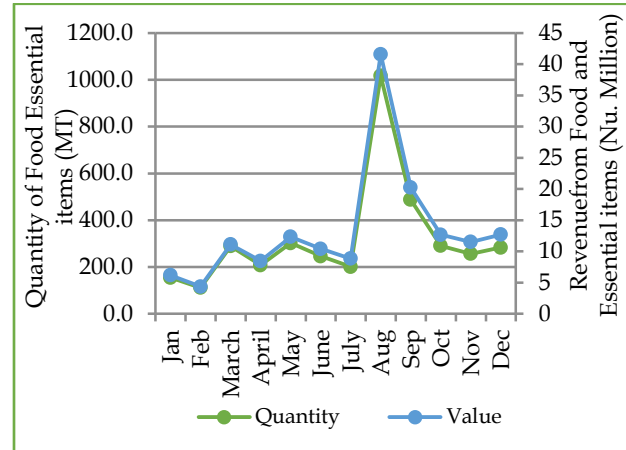


Figure 17. Monthly Sales trend of food and essential items by farm shops.

SALES OF FMCG BY FARM SHOPS

Likewise, in 2020 farm shops sold 1615.82 MT of FMCG generating revenue of Nu.57.7 million. The figure 18 followed the similar trend with food and essentials and August month recorded the highest sales during the period (Fig 18).

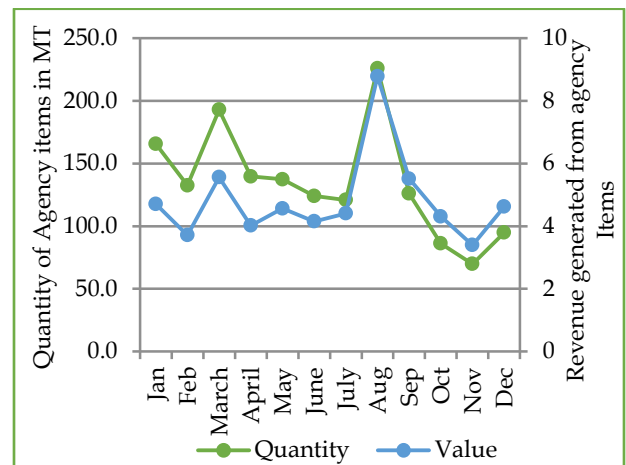


Figure 18. Monthly sales trend of agency items by farm shops

RENEWABLE NATURAL RESOURCES (RNR) INPUT SERVICES

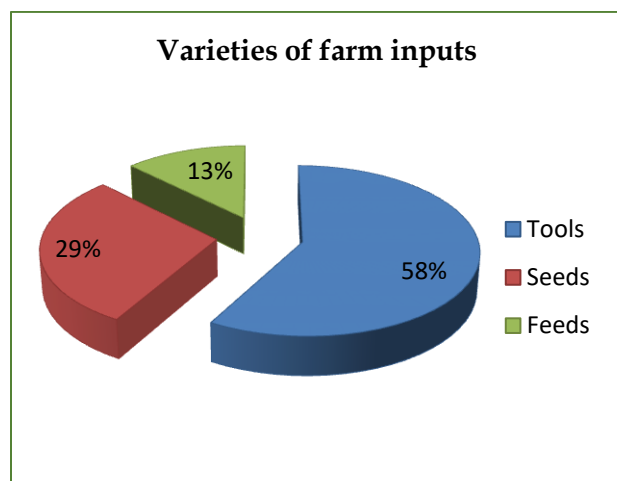


Figure 19. Varieties of farm input.

The farm inputs include farm tools, seeds and animal feeds. Total of 60 varieties of tools, 30 varieties of seeds and 13 varieties of feeds were distributed to farmers through the farm shops. The varieties are shown in percentage wise in figure 19. Unlike the previous year, there was no demand for fertilizer and not purchased.

In 2020, total of Nu.44.58 million was generated as revenue through the sale of farm inputs which is a slight drop of 10% as compared to 2019. From the total revenue, the highest sales were from feeds (Poultry, Pig & Cattle feeds) with Nu.43.69 million followed by farm tools with Nu.0.71 million (Table 6). The revenue from tools and seeds has decreased by 44% and 43% respectively as compared to the previous year.

Table 6: Revenue from farm input services (2019)

Farm Inputs	Quantity (No.)	Amount (Nu.Mil)
Tools (Pieces)	2266	0.71
Seeds (Packets)	2380	0.18
Feeds (Bags:50 kg)	27606	43.69
Total	32252	44.58



SCHOOL FEEDING & OTHER SERVICES

SCHOOL FEEDING PROGRAM

The Royal Government of Bhutan (RGoB) took over the entire school-feeding program as World Food Programme (WFP) phased out in 2018. This year, both non-perishable and perishable items were delivered to schools. A total of nine non-perishable items were delivered to 362 schools benefiting 67,082 students though no delivery was made in 2nd quarter. The very reason was closure of schools due to COVID 19 pandemic. The detail of non-perishable items is shown in Table.7.

Table 7.Non-perishable items quantity supplied

Item	Quantity (MT)
Fortified Rice	2664.48
Pulses	339.72
Fortified Oil	248.49
Chick Peas	47.60
Sugar	33.14
Salt	33.75
Dairy Whitener	30.81
Tea Leaf	6.24
Processed Cheese	6.89
Total	3411.12

On the other hand, delivery of perishable items started off in collaboration with Farm Machinery Corporation Limited (FMCL) and Bhutan Livestock Development Corporation Limited (BLDCL). At the onset, total number of schools covered was only 155 as the supply depends upon the demands from the schools. Sale of perishable items broadly categorized into vegetables & fruits and livestock items were made in aforementioned schools under 7 dzongkhags. The broad categorized detail of

perishable items quantity handled is shown in Table.8.

Table 8.Perishable items quantity supplied

Item	Quantity (MT)
Vegetables & Fruits	49.88
Livestock	27.60
Total	77.48

Through the delivery of school feeding items and logistics services, FCBL in total earned Nu.7.32 million as the service charge from RGoB. The detail on service charge is given in the Table 9.

Table 9. Service Charge from RGoB.

Quarter	Amount (Nu.million)
1st quarter	5.11
2nd quarter	1.76
3th & 4th quarter	0.45
Total	7.32

RENTAL & TRANSPORT SERVICES REVENUE

Currently, the company owns 7 heavy and 17 medium vehicles. Additionally, private annual contract transporters are deployed to render the services. Also, has 13 light vehicles and 4 two wheeler. As a means of greater cost saving, backload service turns out to be essential. However, no backload charge was earned in 2020.

This year, FCBL owned 69 residential units that are rented to company employees. Total of 56 units of stores, 13 cold store units and four auction yards owned by FCBL are used for storage and remaining are rented out. The revenue from rent was Nu.10.28 million.



HUMAN RESOURCE

HUMAN RESOURCE

In 2020, the human resource management encountered challenges with the rampant COVID-19 pandemic within and in the neighboring states. Starting from shortage of labor to risk at its highest, our staffs functioned through multi-tasking in ensuring food security at all times for the nation. However, labor shortage was solved through total of 90 youth employment for loading and unloading at the central warehouse. This year, the company had total of 503 employees, out of which 207 were female and 296 were male as shown in figure 20. With current situation, no capacity development trainings were conducted.

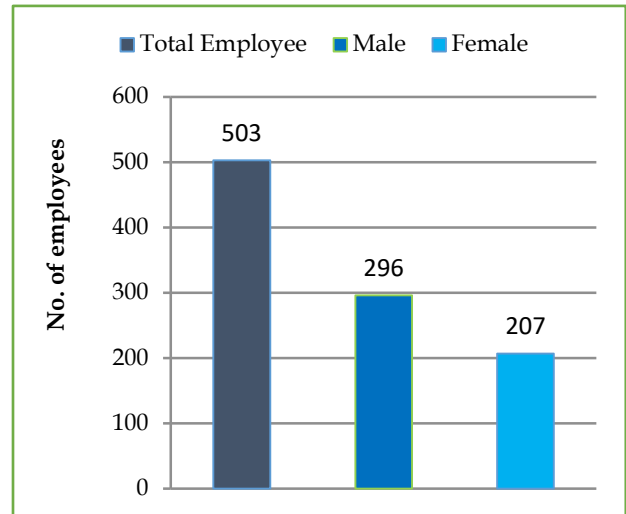


Figure 20. Number of employees

EMPLOYEE TURNOVER RATIO TREND

While organizations in general should aim for 10% of an employee turnover rate, we are in the positive side looking at the trend (Fig.21). The turnover ratio was 10% in 2018, probably little higher due to nature of job as compared other years. Thereafter, it has reduced to 5% in 2020 that indicates employees are satisfied, healthy and safe, and their performance is satisfactory to the employer.

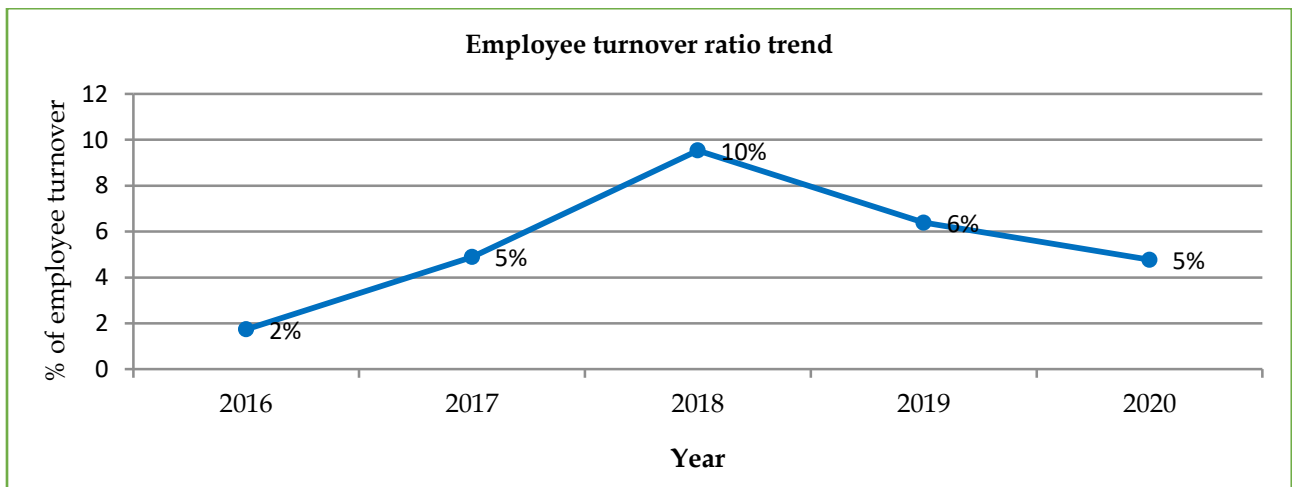


Figure 21. Employee turnover ratio trend (2016-2020)



FINANCIAL STATEMENT

Annual Report 2020

FINANCIAL STATEMENT

PROFIT & LOSS ACCOUNT TREND

Financial statements are the crucial fundamentals for a company to comprehend the growth, analyze the performance so as to make predictions of future directions. The profit and loss trend over the five years depicts profit for one consecutive year in 2016 but company suffered loss thereafter. The highest loss was of Nu.112.04 million in the year 2020 (Fig.22). Though there was a gradual decrease in loss after 2017, during 2020, the company underwent huge loss as compared to 2019.

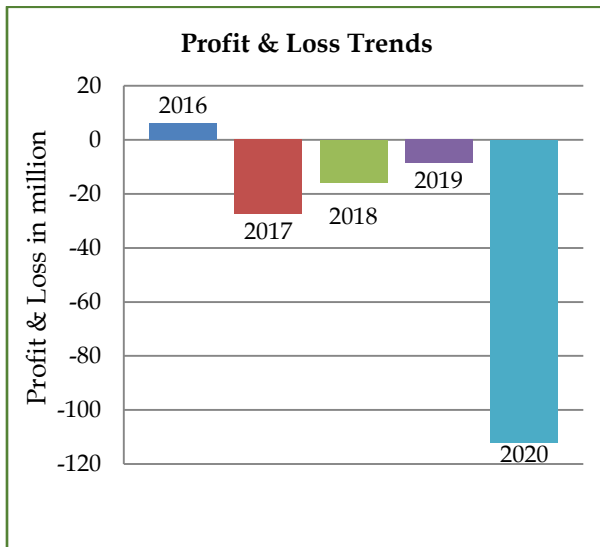


Figure 22. Profit and loss trend

REVENUE

The sales revenue has shown a growth of 59.87% in 2020 as compared to 2019 and the revenue from service charge has shown a drop of 88.40%. In addition, income from other activities has slightly increased in 2020 by 9.20% (Table 10.). Over all, revenue growth of the company was 50.38% in 2020.

Table 10: Major revenue sources

Major Revenue Sources	2019 Nu. Mil.	2020 Nu. Mil.	Variation (%)
Sales Revenue	1,403.60	2,243.90	59.87%
Service Charge	83.53	9.69	-88.40%
Other Income	41.78	45.62	9.20%

CASH FLOW TREND

Noting the cash flow trend (Fig.23.), there is drastic drop in cash flow to Nu.-51 million in 2017. However, it has significantly increased to Nu 648 million in 2020 though there is slight reduction of Nu.56 million in 2019.

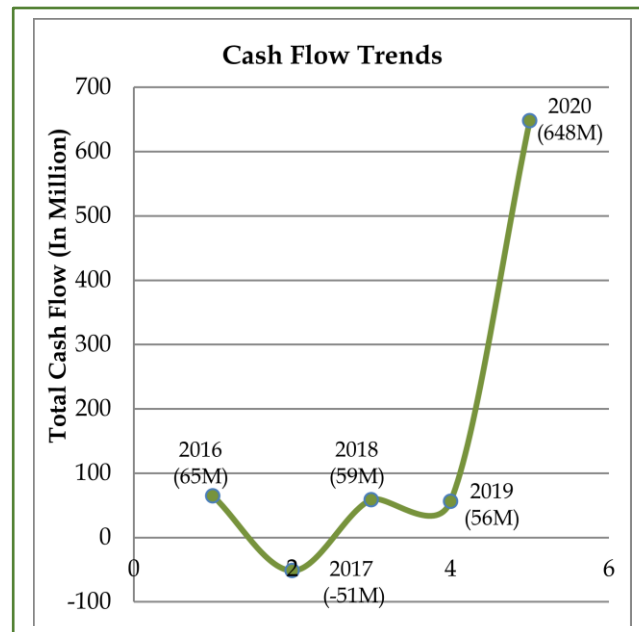


Figure 23. Cash flow trend

RATIO ANALYSIS TREND FINANCIAL HEALTH

The ratio analysis trend of financial health of the company for five consecutive years is represented in the graph below (Fig. 24).

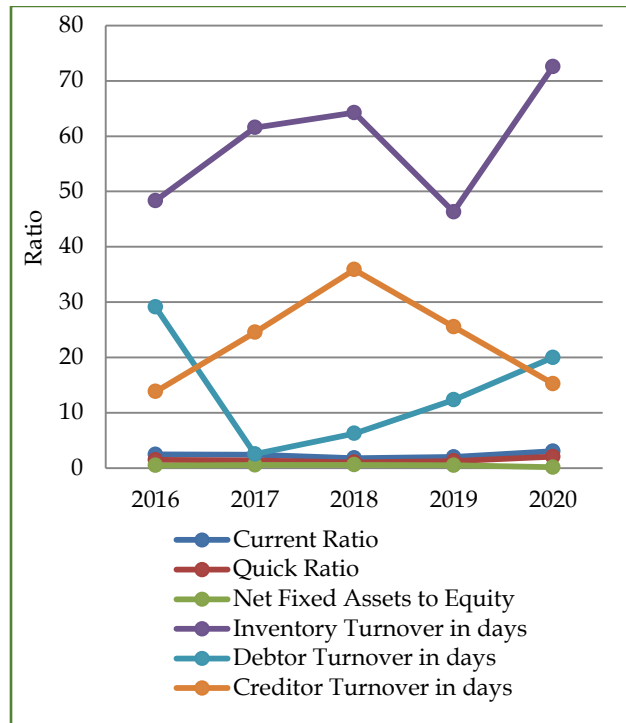


Figure 24. Ratio trend - Financial Health.

Current Ratio is highest in 2015 and has decreased thereafter; but it has increased in 2020 due to rise in inventories and cash and bank balances.

Quick Ratio increased mainly due to increase in cash and bank balances in 2020 as compared to 2019.

Net fixed Asset to Equity Ratio decreased due to significant increase in capital reserves being the funds received from the Government accounted as capital reserve.

Inventory Turnover in Days deteriorated due to increase in closing stock but **Debtor Turn**

over in Days increased due to considerable increase in value of Trade Receivables.

Creditor Turn over in Days has changed due to decrease in Trade Payables.

BUSINESS PROFITABILITY

Return on Investment Ratio has gradually improved after 2017 although it remains still in negative. The ratio is negative in 2020 as a result of losses and has increased due to rise in losses as compared to last year.

PAT-Total Income Ratio is negative because of losses. Moreover, losses are higher compared to the previous year.

Gross Profit Turnover Ratio decreased due to increase in changes in stock. The ratio is positive from 2016 to 2019 with highest of 11.41% in 2019. However, there is sharp drop of 18.93% in GPT ratio this year (Fig.25).

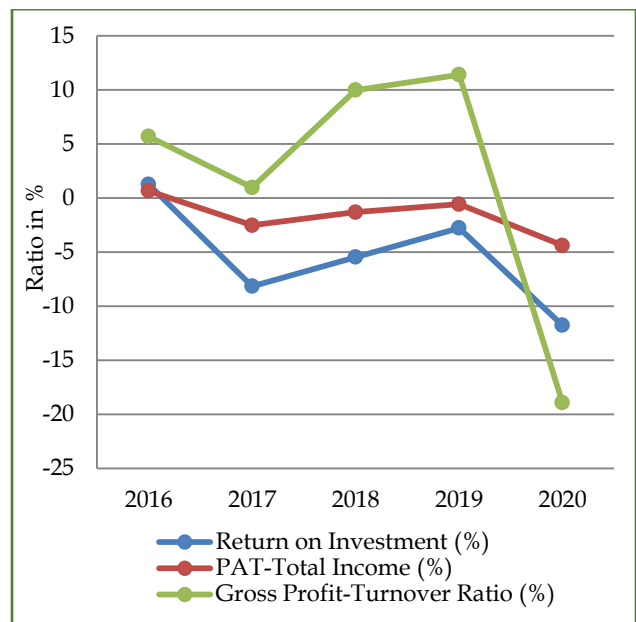


Figure 25. Ratio Trend-Business Profitability.

EXPENDITURE

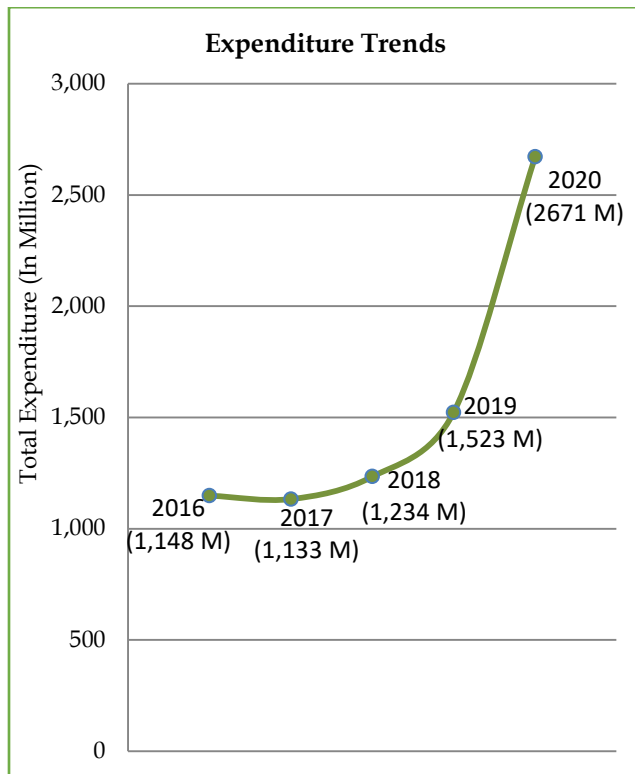


Figure 26. Expenditure Trends.

The expenditure has increased by 75.40% in 2020 as compared to 2019 (Fig.26) that is mainly contributed by various factors like:

- i. The farm shops operation wherein from 2019 FCBL has to bear the remuneration of the farm shop employees.
- ii. Increase in damaged goods from FG, FMCG & FCI rice.
- iii. Increase in transport expenses due to increase in frequent deployment of NFSR goods & vegetables.
- iv. Additional expenses due to deployment of staffs at source.

The audited financial statements are provided in table 11 & 12.

AUDIT REPORT

The company was audited by Chartered Accountant firm, Dechok & Associates Pvt. Ltd in 2020. The Auditors did not make any adverse observation on FCBL accounts, except for some suggestions and recommendations for further improvement.

Table 11: Provisional Statement of Comprehensive Income.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020			
(Amount in Nu.)			
Particulars	Note No	December 31, 2020	December 31, 2019
Income			
Revenue from Operations	19	2,253,583,012	1,487,125,491
Other Income	20	45,620,195	41,775,578
Increase/(Decrease) of Stock in Trade	21	259,723,534	(12,593,062)
Total Income		2,558,926,741	1,516,308,007
Expenses			
Purchases Including Bhutan Sales Tax & Other Procurement Expenses	22	2,433,064,319	1,317,456,801
Employee Benefit Expenses	23	175,237,827	150,061,170
Depreciation & Amortisation Expenses	2	34,960,951	22,177,853
Other Expenses	24	26,735,070	32,890,454
Financing Cost	25	969,403	200,661
Total Expenses		2,670,967,570	1,522,786,939
Comprehensive Income before Taxes		(112,040,829)	(6,478,932)
Tax Expenses:			
Current		-	-
Deferred		-	(2,006,799)
Comprehensive Income after Taxes		(112,040,829)	(8,485,731)
Earning Per Share (Basic & Diluted)		(7,469)	(566)
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.			

Table 12. Provisional Statement of Financial Position

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020			
(Amount in Nu.)			
PARTICULARS	Note No.	December 31, 2020	December 31, 2019
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	2	149,288,715	158,627,681
Capital Work in Progress		16,305,195	6,129,337
Financial Assets	3	381,584	381,584
Deferred Tax Assets	4	630,738	630,738
Loans and Advances	5	8,444,132	10,573,092
Total		175,050,364	176,342,432
Current Assets			
Inventories	6	448,079,529	188,662,029
Trade and Other Receivables	7	123,502,055	50,197,157
Cash and Cash Equivalent	8	705,539,772	111,614,916
Loans and Advances	9	80,244,582	170,662,663
Tax Deducted at Source	10	10,067,832	12,281,662
Total		1,367,433,770	533,418,427
TOTAL ASSETS		1,542,484,134	709,760,859
LIABILITIES			
Non-Current Liabilities			
Deferred Capital Grant	13	83,643,330	80,323,796
Provisions	14	59,682,267	56,977,325
Total		143,325,597	137,301,121
Current Liabilities			
Borrowings	15	182,992,822	145,442,824
Trade and Other Payables	16	98,844,608	88,789,887
Other Liabilities	17	149,241,587	18,093,157
Provisions	18	15,229,764	13,662,979
Total		446,308,781	265,988,847
TOTAL LIABILITIES		589,634,378	403,289,968
EQUITY			
Share Capital	11	15,000,000	15,000,000
Reserves and Surplus	12	152,094,551	27,335,511
Retained Earnings		785,755,206	264,135,380
TOTAL EQUITY		952,849,756	306,470,891
TOTAL LIABILITIES & EQUITY		1,542,484,134	709,760,859

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



BUSINESS IN THE WAKE OF COVID-19

BUSINESS IN THE WAKE OF COVID-19

The declaration of lockdown on 11th August 2020 brought most of the movement of people to standstill and essential commodities such as food grains, fast moving consumer goods were delivered to households. Vegetables were delivered solely by FCBL for the entire residents of Phuntsholing. FCBL distributed almost 119 MT of vegetables, 224 MT food grains and essential goods & fast-moving consumer goods worth Nu. 8.5 million to 7447 households.

In the wake of COVID-19, the operation of auction system became slightly different compared to the past years. Keeping in view of the aspirations of Government, FCBL has opened point of collection⁵ at various strategic locations across the country and coordinated with various Dzongkhags and DAMC to fix the purchase rates. Although, it has benefited many growers but consequently FCBL has to face huge challenge resulting to losses in the operation. FCBL deployed various teams to operate and manage the collection at the source. The produce purchased was traded to India and also marketed within the country in conformity to the COVID-19 containment protocols.

National Food Security Reserve (NFSR) was maintained for 50% of population for period of 6 months. Essentials were stored in 62 locations that included existing warehouse, institution and school MPH across the country.

⁵ Collection points active during the implementation were Damchu, Gangtey, Khotakha/Chuzomsa, Chumey, Balam, Bartsham, Bumdeling, Drametse, Kanglung, Kengkhar and Yangneer.

Initially, staffs united to serve as loaders to continue the distribution of essential to all locations after the restriction of Indian loaders due to pandemic.





PERFORMANCE AGAINST THE APA TARGET

PERFORMANCE OF 2020 AGAINST APA TARGET

During the year, the Annual Performance targets were assessed based on weightage in two major components: Financial performance with 50% and other 50% was allocated for Non-financial targets of which 35% given for Core activities and 15% for Organizational management/corporate governance.

Although the sales revenue exceeded the set target by 45%, the financial performance of profit after tax remained at -112.04 million which is below the set target. Overall, financial compact results to 35% out of 50%. The negative performance was mainly attributed by COVID-19 pandemic in the operations of the farm shop, NFSR, Agricultural marketing. Moreover, the overall

loss of the company has significantly increased comparison to 2019.

Core activities comprised of major performance like maintain National food security reserve (NFSR), develop NFSR infrastructure and supply of essential to schools under school feeding program. The overall target achieved fell short by 25% as compared to target due to COVID pandemic and closure of boarder gates of Bhutan. Also, schools were closed due to pandemic and so the target wasn't met. Remaining 15% given for organizational and corporate governance scored 10% of target achievement. The overall evaluation score of non-financial compact was 40% of 50%.

Table 13. Performance achievement against APA targets for 2020

A. Financial Targets (Weight: 50%)

Sl.No	Financial KPI	2019 Actual (Million in Nu.)	2020 Target (Million in Nu.)	Weight (%)	Target Achieved/Status	Achievement (%)
1	Revenue	1516.3	1749.07	35.00	2,529.56	35.00
2	Profit before tax	-6.47	-3.17	10.00	(112.04)	0.00
3	Operational cost savings	33.09	26.23	5.00	27.07	0.00
Total				50.00		35.00

B. Non-Financial Targets (Weight: 50%)

a. Core Activities (35%)

Sl.No	Performance Indicator	Target/Output	Deadline	Weight (%)	Target Achieved/Status	Achievement (%)
1	Maintain adequate stock for food security reserve and SAARC food reserve for 50% of the population for the 6 months	19000 MT	December	10.00	Excluded	Excluded
	Rice (inclusive of SAARC food reserve)	16815 MT	December	8.00	26520.77	8.00
	Oil	1657 MT	December	8.00	2835.38	8.00
	Pulses	675 MT	December	5.00	790.13	8.00
2	Develop NFSR infrastructures	Complete construction of NFSR warehouse at Gelephu & renovate Phuentsholing Warehouse	December	5.00	Incomplete	0.00
3	Supply of 9 food items under school feeding program to 540 schools					
1	Raw rice	5623.93	December	1.00	1689.12	0.30
2	Dhal	800.99	December	1.00	192.78	0.24
3	Chick Peas	210.8	December	1.00	35.6	0.17
4	Vegetable oil	633.51	December	1.00	145.8	0.23
5	Sugar	65.13	December	1.00	16.63	0.26
6	Milk Powder	65.13	December	1.00	20.35	0.31

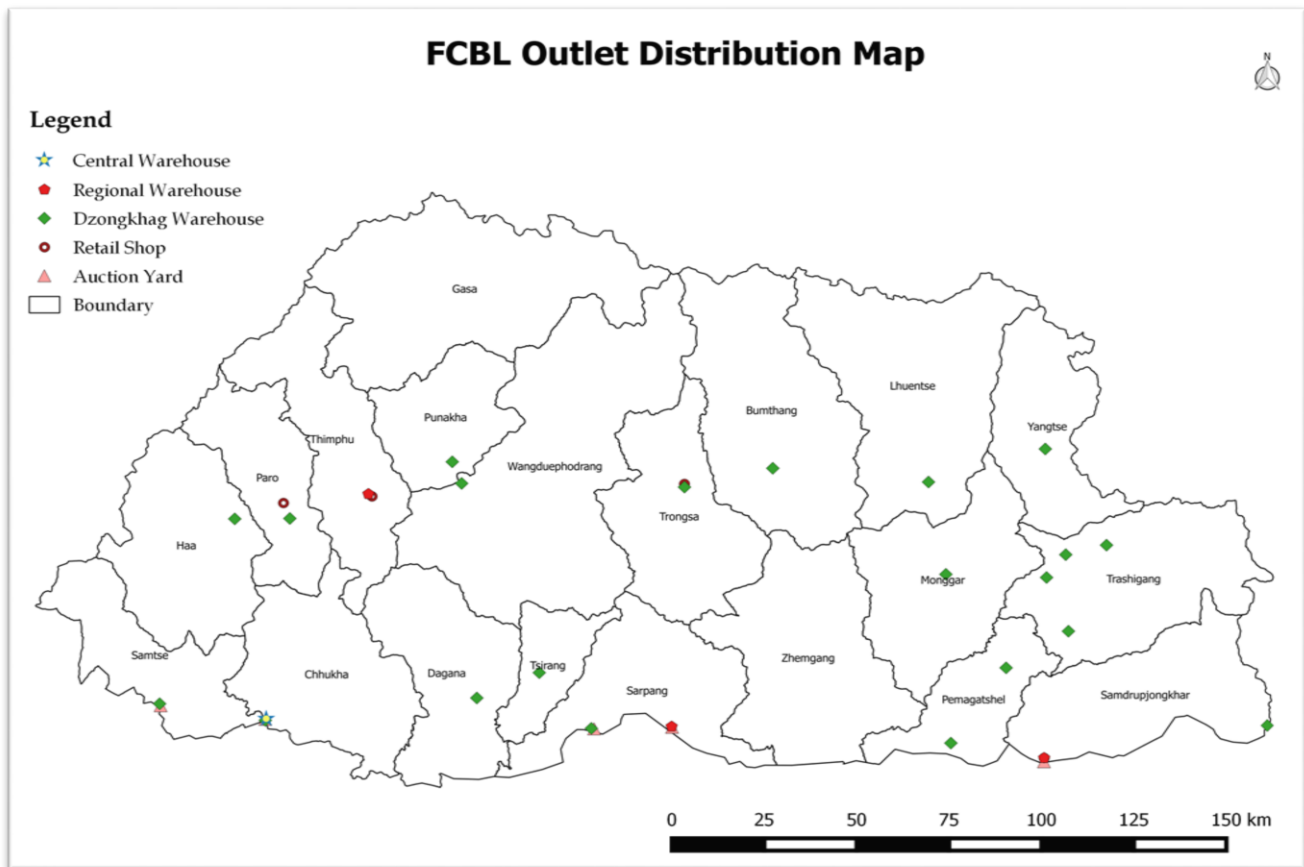
7	Salt	71.44	December	1.00	22.16	0.31
8	Cheese	55.93	December	1.00	3.98	0.07
9	Tea leaf	13.02	December	1.00	3.91	0.30
Total				35.00		

b. Organizational Management/Corporate Governance (Weight: 15%)

Sl.No	Performance Indicator	Target/Output	Deadline	Weight (%)	Target Achieved/Status	Achievement (%)
1	New Initiatives	New initiatives implemented	December	5.00	Implemented	5.00
2	Comply with CG Guidelines	Zero negligence of the guidelines	December	1.00	Conducted two rounds of Board Meeting & Board audit Meeting and one round of Board HR Committee meeting.	0.00
3	Develop Five Year FCBL Strategy/Business Plan	Business plan developed	August	2.00	Strategy plan for FCBL developed.	2.00
4	Pursue R&D activities	At least five R&D completed	December	1.00	Completed	1.00
5	Resolve all audit observations up to 2019	All audit issues for audit conducted in 2019 and before resolved.	December	0.50	Incomplete	0.00
6	Annual Financial Statements	Provisional Accounts of 2020 submitted to MoF.	10-Feb-20	0.50	Submitted but delayed	0.00

7	Quarterly Financial Statement 2020	Quarterly Financial Statements submitted to the Board and MoF.	Within a month after quarter end	2.00	Submitted but delayed	0.00
8	Audited Annual Financial Statements 2020	Audited accounts submitted to MoF	Apr-21	1.00	Submitted but delayed	0.00
9	Annual Performance Report Submitted	Annual Performance Report of 2020 submitted to MoF	Mar-21	1.00	Completed	1.00
10	Digital Transformation	Digital transformation implemented	December	1.00	Completed	1.00
Total				15.0%		

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