IN BHUTAN, AGRICULTURE IS THE MAIN SOURCE OF LIVELIHOOD FOR MORE THAN HALF THE POPULATION BUT ACCOUNTS FOR LESS THAN ONE-FIFTH OF GDP.

This project represents GAFSP’s first agribusiness investment in Bhutan, a tiny kingdom in the Himalayas. It supports the expansion of Mountain Hazelnuts, a semi-greenfield smallholder based company, to take advantage of the growing demand for hazelnuts from European confectionary and snack producers in Asia. With GAFSP’s support, Mountain Hazelnuts will provide hazelnut tree plantlets, inputs and support to local farmers – free of charge. The trees will be planted on fallow land that otherwise has no commercial use for the farmers. Once the trees produce hazelnuts, the company will purchase the crop from the farmers at a guaranteed minimum price and market the hazelnuts to international buyers.

This project will be carried out in conjunction with the Asian Development Bank (ADB). IFC and ADB will each invest $3 million of equity in Mountain Hazelnuts which will then be matched by a $6 million investment by the Private Sector Window of GAFSP.

BHUTAN: Expanding hazelnut production

$6 million investment in Mountain Hazelnuts, a smallholder based company

FARMER REACH AND INCOME
The project is expected to reach 15,000 farmer households, mostly located in Bhutan’s poorer eastern regions. Farmers will grow hazelnuts to generate income on degraded, unused land, which would otherwise be left barren. Farmers cannot replace existing crops with hazelnuts which makes the income derived from hazelnuts as entirely incremental. These additional earnings from hazelnuts sales are projected to eventually double the household incomes of a large portion of participating farmers. Including all farmer household dependents, this translates into a project impact of approximately 15 percent of Bhutan’s population.

LINKING FARMERS TO MARKETS
The project will support the development of an organized marketing system for hazelnuts produced by smallholder farmers. The farmers involved in this project will gain market access and be integrated into an international supply chain.

JOB CREATION
The project will create over 400 additional jobs at MHV and expand linkages with approximately 1,200 entrepreneurs offering support services. Female employment is expected to triple and grow from 29 percent to 50 percent.

GREENHOUSE GAS MITIGATION AND FOREST PRESERVATION
Up to 1.5 million metric tons of carbon dioxide will be sequestered over the productive lifetime of the targeted nearly 11 million hazelnut trees. Annual pruning of these trees will also provide a sustainable source of fuel wood, instead of logging natural forests.