

The Impacts of Current Practice of Meat Price Fixing on Consumers in Thimphu

by
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Abstract

This study explores the impacts of the current practice of fixing meat prices collectively by meat vendors on price, quality, and consumer choice in Thimphu. Historically, meat prices in Thimphu were regulated by the erstwhile Meat Price Fixing Committee, but this practice was discontinued. In the absence of government intervention, meat vendors in Thimphu have continued to collectively determine prices under the coordination of the Bhutan Meat Vendors Association (BMVA). While the stated objective is to keep prices reasonable and stabilize market prices, concerns have emerged regarding the potential negative effects on consumers. This study aims to examine current pricing practices, assess their advantages and drawbacks, and identify potential areas for intervention.

Findings reveal that while membership in the BMVA is not mandatory, most meat vendors are members and follow the prices set by the association. There is no significant difference in the range and quality of products or the prices offered between BMVA members and independent vendors. Key challenges include limited local beef supply, reliance on a single slaughterhouse, and high markups along the supply chain. The study recommends discontinuing price fixation by the BMVA, formalizing the association, and providing training to small vendors on price determination. Government support at the initial stage to link beef importers and certified suppliers in neighboring countries would be essential to build a reliable supply system.

Background

Meat is an important part of Bhutanese diet. According to the Bhutan Living Standard Survey (2022), households allocate an average of 10.4% of their total food expenditure to meat. However, Bhutan heavily depends on imported meat, with approximately Nu 3.7 billion worth of meat imported in 2023, mostly from India.

Historically, meat prices in Thimphu were regulated by the Meat Price Fixing Committee, but the practice was discontinued when the government liberalized the meat industry. However, retailers in Thimphu have continued to set prices collectively through the Bhutan Meat Vendors Association (BMVA). Though membership is not mandatory, most vendors follow the price set by the BMVA. As the association controls a large market share, its pricing practices directly influence market competition and consumer welfare. This study evaluates the impact of these practices on the market and consumers.

Methodology

A total of 53 meat vendors were selected from a total of 105 in Thimphu. Both quantitative and qualitative data were collected through surveys, interviews, and discussions with key stakeholders. To

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ensure the data represented Thimphu Thromde, representative samples were selected from all locations including the core town area and peripheral towns like Olakha and Babesa.

Findings and Discussion

Initially, a meat price committee was established in Thimphu in collaboration with the Local Government Administration and the Department of Trade to regulate meat prices. However, as the market was liberalized, the committee was dissolved, and price regulation was discontinued. Despite this, meat vendors in Thimphu continued to independently set prices through the BMVA, without government involvement.

The BMVA was established in 2020 with support from the Bhutan Chamber of Commerce and Industry (BCCI) to manage price fluctuations, ensure affordability and improve accessibility. Currently, 91% of the meat vendors in Thimphu are members of the BMVA. The association sets maximum price limits for various meats, including fish, and imposes penalties on violators, including recommendations to the government for potential license revocations.

While membership is voluntary, approximately 12% of BMVA members feel the pricing policies are too rigid and lack flexibility to respond to market conditions. Furthermore, 38% of vendors suggest that some government intervention is necessary, particularly for controlling prices at the source to ensure affordability.

The difference in selling prices between BMVA members and independent vendors reveals negligible differences (Table I)

Table I: Comparison of Selling Prices Between BMVA Members and Independent Vendors

Meat	BMVA Members (Nu./kg)	Non-members (Nu./kg)	Difference (Nu./kg)	Difference (%)
Local Beef with Bones	550	562	12	2%
Local Pork	600	600	0	0%
Local Chicken	340	344	4	1%
Frozen Chicken	300	300	0	0%
Fish	300	296	4	1%

Reliable records of past prices for meat products are not available with the vendors, therefore comparisons of price of meat between BMVA members and independent vendors over time and general price movement cannot be indicated.

The price increase from the source to the final selling price varies significantly, influenced by vendor business factors such as target profits, overhead costs, and market conditions. In 2023, price markups have been notably high, particularly for frozen beef and fresh chicken (Table II)

Table II: Imported Meat Price Markup Along the Supply Chain in 2023

Meat Type	Avg. Import Price (Nu./kg)*	Import to Supplier Mark-up (%)	Supplier to Retail Mark-up (%)	Total Mark-up (%)
Boneless Beef Frozen	200	70	33.8	103.8
Frozen Chicken	160	51.9	23.5	75.4
Fresh Chicken	160	49.4	46.4	95.8
Fresh Fish	172	20.9	45.7	66.6

*Annual Trade Statistics, 2023

A reduction in markup for boneless beef in 2024 (Table III) could be because importers and vendors might have realized that keeping high profit margins would have raised the final selling prices prohibitively. The significant markup percentages are concerning, as they point to potentially substantial profit margins at each stage of the supply chain.

Table III: Imported Meat Price Markup Along the Supply Chain in 2024

Meat Type	Avg. Import Price (Nu./kg)*	Import to Supplier Mark-up (%)	Supplier to Retail Mark-up (%)	Total Mark-up (%)
Boneless Beef Frozen	309	29.4	37.5	66.9
Frozen Chicken	159	59.1	18.6	77.7
Fresh Chicken	169	47.3	40.6	87.9
Fresh Fish	173	25.4	45.2	70.6

*Annual Trade Statistics, 2024

The markup for locally sourced meat is generally lower compared to imported meat (Table IV), but the higher price at source leads to higher final selling prices.

Table IV: Local Meat Price Markup Along the Supply Chain

Meat	Purchase Price (Nu./kg)	Selling Price (Nu./kg)	% Increase
Beef with Bones	430	550	21%
Pork	550	600	9%

One of the most significant challenges is the limited supply of locally produced beef, exacerbated by export restrictions from India. While there are no import bans, challenges such as the lack of quality suppliers in the neighboring countries that can meet Bhutan's food safety standards and logistical constraints persist. The single slaughterhouse in the country cannot meet the growing demand for beef, leading to issues with supply and price stability.

Recommendations

The government should strongly discourage BMVA's involvement in price fixation. Though the BMVA's role in logistics and coordination can be helpful, unregulated pricing practices have the potential to disrupt market dynamics and consumer welfare. Instead, vendors should be allowed to determine prices based on market conditions, fostering competition.

The government should through agencies such as the Department of Livestock (DoL) and the Department of Agricultural Marketing and Cooperatives (DAMC) invest in capacity-building programs for vendors to enable them to determine fair and realistic pricing, ensuring better competition in the market.

To address supply shortages and mitigate price volatility, the government through agencies such as DOL, DAMC and BFDA help link local importers with certified suppliers from nearby countries. This would increase the supply of meat, particularly beef, and help stabilize prices, making meat more affordable for consumers.

Fostering a competitive market environment will help drive improvements in product quality, innovation, and better consumer options. The government should encourage vendors to focus on expanding product ranges and improving operational efficiencies, which could lead to lower prices and higher-quality offerings.

Conclusion

The BMVA's price-setting practices have contributed to price uniformity in Thimphu but have also stifled healthy market competition. To create a fairer and more competitive market, the relevant authorities should cease the BMVA's involvement in price setting and allow individual vendors to determine prices based on market dynamics. Government support should focus on linking local importers with certified suppliers to mitigate supply shortages and stabilize prices.

References

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