

Smallholder dairy farmers' group development in Bhutan: strengthening rural communities through group mobilization.

Thubten Sonam¹ and Niwat Martwanna²

Abstract

This paper describes the mobilization processes of Smallholder Dairy Farmers' Groups (SDFG) and its relevance to the process of community development in an integrated crop livestock forestry farming system in Bhutan. The group approach aims to ensure effective delivery of dairy services for strengthening collective self-help capacity, promoting self-reliance, group cooperation and solidarity of poor rural farmers through collective action. Data for the study were generated through focus group interviews and workshop organized for those stakeholders involved in formation and development of dairy farmers' groups. The study found that the group mobilization processes demanded additional competences in managing the different stages of group formation and development processes with professional support backed by new knowledge and skills. While the government encourages and supports the mobilization of dairy groups, the process of forming a group is still difficult due to a wide range of technical, socio-cultural, organizational, and physical challenges. However, despite the challenges and difficulties, SDFGs are slowly contributing to the enhancement of smallholder dairy farmers' skills, achievement of economies-of-scale and improving their bargaining power. The SDFGs are helping to build trust among members, instill positive changes in attitude and commitment to achieve group's success motivated by accrued financial benefits and easy access to other services. The formation and development of dairy groups needs to be supported by well trained competent group mobilizers who are able to manage and facilitate group processes effectively.

Key words: service delivery, collective action, smallholder dairy farmers' group, mobilization and integrated crop-livestock-forestry farming systems.

Introduction

The Smallholder Dairy Farmers' Groups (SDFGs) are a distinct category of farmers' groups in Bhutan, initiated and promoted by the Department of Livestock (DoL) adopted as one of the key mechanisms for modernization and commercialization of smallholder dairy farming by assisting in production, processing and marketing of dairy products. Due to the small farm size and limited landholdings, mobilization of smallholder dairy farmers into groups is being seen as a viable option to develop and commercialize the dairy sector in Bhutan, where there is an ever-increasing market demand for the dairy milk and processed milk products. As of 2009 there were more than 51 livestock groups with as many as 1,828 members, engaged in dairy, poultry, piggery and fishery activities, of which 27 were SDFGs consisting of both operational and newly proposed groups (**Ref.**). The smallholder dairy farmers here refer to those households practicing an integrated crop-livestock-forestry farming system; in most cases with crop cultivation as the dominant farming activity supported by cattle rearing and forestry activities.

The aim of this paper is to describe the current development status of the SDFGs and their relevance to community development in Bhutan. In pragmatic terms, the SDFG approach in dairy enterprise development assures the group members an effective means of pooling their resources,

¹ College of Natural Resources, Royal University of Bhutan, Lobesa, Punakha, Bhutan.

² Department of Agricultural Extension, Faculty of Agriculture, Khon Kaen University, Thailand.

*Corresponding author: (e-mail)

45 thereby enabling them to meet their common economic, socio-cultural needs and aspirations.
 46 Concurrently, the SDFG approach is also an important mechanism for strengthening the rural
 47 communities' accessibility to markets by mobilizing smallholder dairy farmers into groups that
 48 coordinate dairy and other agro-economic activities.

50 **Methodology**

51
 52 Administratively, Bhutan is divided into twenty dzongkhags (districts). There were 27 dairy
 53 groups including both functional (18) and newly proposed located in 12 districts serving around 600
 54 members. The study focused only on the functional groups as such selected 12 functional SDFGs
 55 from eleven Dzongkhags in proportion to the number of SDFGs operating in each Dzongkhag, using
 56 a stratified random sampling method.

57
 58 The data for the study was gathered through focus group interview and open participatory
 59 discussions with the leaders of SDFGs' (n=16), livestock extension agents (n=30, involved with
 60 dairy groups) and others (n=12, members and livestock sector heads) during a three days
 61 stakeholders' workshop. The workshop and the focus group interview used four major questions to
 62 understand, assess and describe the current SDFG formation and development processes as practiced
 63 by the group promoters in Bhutan. The following four questions were formulated based on the group
 64 formation principles suggested by ACC (Administrative Committee on Coordination of United
 65 Nations) Network on Rural Development and Food Security's article titled "*Farmer Groups in Food
 66 Production*" (ACC Network on Rural Development and Food Security, n.d.):

- 67
 68 a. *How is the formation and development of SDFG encouraged in Bhutan?*
 69 b. *Were there adequate discussions and awareness programs on SDFG formation prior to
 70 establishment?*
 71 c. *Was the establishment of SDFG participatory or not? and,*
 72 d. *How adequately was self-reliance and sustainability addressed in the post establishment
 73 period?*

Describe more?

74
 75 Most of the data were **qualitatively analyzed** immediately after the data collection process,
 76 during the focus group interviews and open participatory group discussions and meetings with the
 77 group leaders and extension agents. The general Gap analysis technique was used for assessing the
 78 gaps between the ACC principles of group formation and the actual field level execution by group
 79 promoters. The study also used secondary information for describing the policies related to dairy
 80 development and issues of group formation. A short case study (Box 1) has been used for illustrating
 81 the member benefits from the SDFG.

82 **Results and Discussions**

84 **Policy environment**

85
 86
 87 The Ministry of Agriculture has started to actively promote the concept of farmers' groups as
 88 an approach to rural development from the beginning of 9th Five Year Plan (FYP, 2002-2007). In the
 89 10th FYP (2008-2013), a Renewable Natural Resources (RNR) sector policy objective is to
 90 commercialize agriculture by strengthening production and marketing activities through the

91 promotion of farmer and marketing boards (GNHC, 2008). Further, the current
 92 Bhutanese agricultural policy advocates Production, Access and Marketing (PAM) and
 93 “One Geog Three” as the main strategies to increase agricultural productivity and
 94 improve rural livelihoods nationwide (MoA, 2008).
 95

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96 In the livestock sector, SDFGs are expected to play vital roles in commercializing dairy
 97 production and fulfilling the dairy development policy objectives, especially in advancing the OGTP
 98 approach and thereby promoting rural economic and social development through effective delivery
 99 of livestock development services. As reflected in the 10th five year plan, the policy support for
 100 development of farmers’ groups in general is very strong in Bhutan. Therefore, formation and
 101 development of SDFGs and other farmers’ groups are supported and guided by the following policy
 102 documents:
 103

- 104 • Cooperatives Act of Bhutan 2009 (Amended)
- 105 • Strategy for Farmer’s Group in RNR Enterprise Development 2004
- 106 • The Cooperatives Rules and Regulations of Bhutan 2010
- 107 • Farmers Group & Cooperatives Development Strategy 2008.

Are these policies ranked
by the importance?

108 Although the numbers of farmers groups have increased over the years, achievement in terms
 109 of cooperative development was minimal mainly due to the mismatch of roles between Ministry of
 110 Home and Cultural Affairs (as implementer of act) and Ministry of Agriculture (promoter of groups
 111 in the field) and absence of regulations. However, with the amendment of Cooperative Act in 2009,
 112 authorization of MoAF as the Act implementing agency, and institutionalization of Department of
 113 Agriculture Marketing and Cooperative under MoAF promises an enabling environment for smooth
 114 formation and development of farmers’ groups and cooperatives in Bhutan.
 115

116 Dairy Development and SDFG

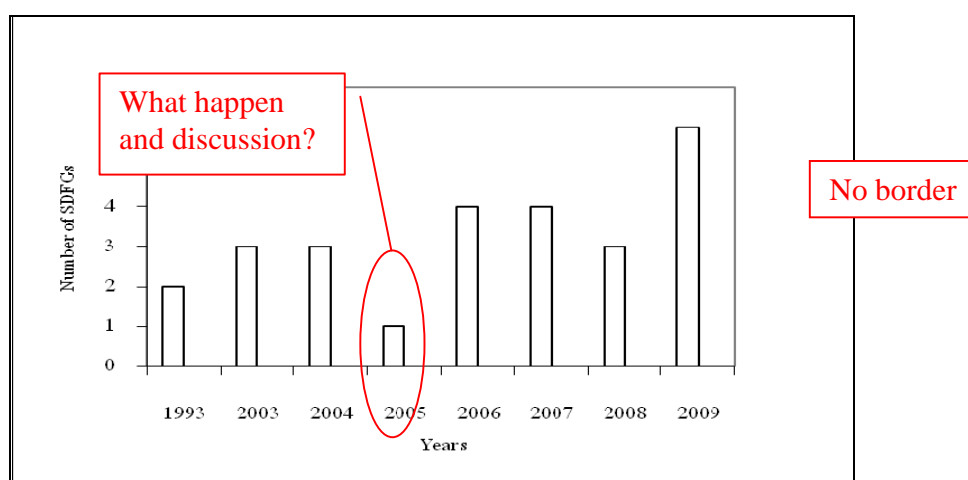
117
 118 The mobilization of smallholder dairy farmers into groups and cooperative societies for
 119 collection, processing and marketing of fresh milk and processed products was first started by the
 120 Highland Livestock Development Project (HLDP) in the early 1990s, a livestock development
 121 project. HLDP was launched with financial assistance from Asian Development Bank (ADB) in the
 122 fifth plan (1981/82-1986/87). One of the components of the project was to increase the productivity
 123 of cattle through a program centered on better animal health control and improved breeding and
 124 feeding management, and was supported by market development initiatives such as milk
 125 cooperatives and milk and meat processing facilities (ADB, 1998). The milk collection society in
 126 Deothang (eastern Bhutan), Trashiling milk processing society in Trongsa (east central Bhutan), and
 127 Phuntsholing milk processing plant in the south (now Bhutan Dairy Limited, BDL), were the first
 128 smallholder dairy farmers’ groups and processing plant established by HLDP. The BDL, with a
 129 capacity of 5000 liters/day, was established in 1985 mainly to serve as the centralized market for the
 130 milk producers in the southern region.
 131

132 The formation of SDFGs were mostly initiated and supported through livestock projects.
 133 This is evident from the two clear phases of the dairy groups’ development in Bhutan: the first phase
 134 in the early 1990s supported by the HLDP project and the second from the start of the New

135 Millennium Program with projects supported by European Union, HELVETAS, IFAD, SNV and
 136 Government of India.

137
 138 The lack of clear legal and institutional support for the farmers' groups affected the
 139 performance and development of SDFGs in the mid 1990's, especially from 1993 to 2003. For
 140 example, the early dairy groups were fully dependent on the government after the exit of the initial
 141 donors. Without a clear mechanism to support farmers' groups and with little or no managerial
 142 capacity at the group level, withdrawal of government support nearly led to the dissolution of early
 143 dairy groups.

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145

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147

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Figure 1 Growth of new SDFGs after 2003

149 However, a change in dairy development strategy, with emphasis on group approach, has
 150 positively impacted the growth of SDFGs since 2003 (Figure 1). Gradually, this has created an
 151 increasing number of viable dairy enterprises that secure productive self-employment and generate
 152 cash income to rural communities. In other words, SDFG approach in dairy enterprise development
 153 is contributing to community development; the new income generated to participating households
 154 through these ventures has enhanced other rural development activities. As mentioned by Opare
 155 (2007), like the community based organizations which provide various services to develop rural
 156 communities by channeling information and other key resources to enhance rural living conditions,
 157 SDFGs in Bhutan are seen as an important move toward dairy development by channeling extension
 158 and other support services through the group.

159

160 **SDFG formation processes**

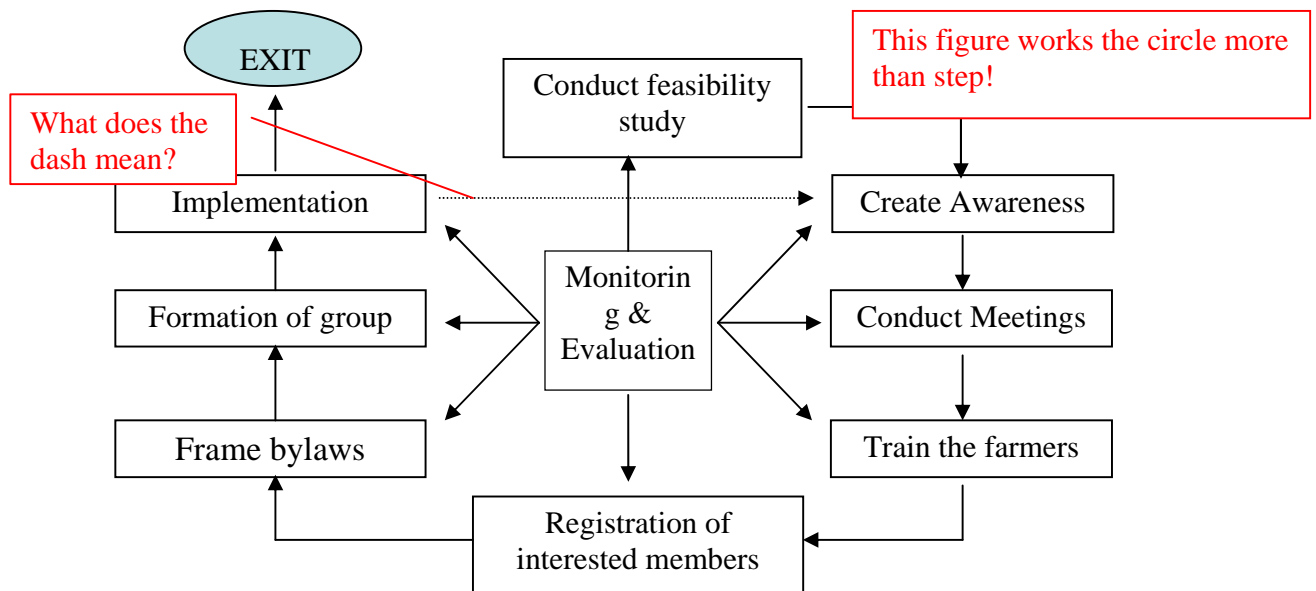
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162 In the absence of trained group promoters, the geog (sub-district) livestock extension agents
 163 despite their limited community mobilization knowledge and skills collaborate with stakeholders to
 164 facilitate group formation and development as the main leader in the field. As stated by FAO (1995),
 165 forming group is not just gathering some like-minded people, but involves the commitment of
 166 members who are willing to work together and come to agreement on a number of issues which any
 167 group promoter should be able to facilitate effectively. The group formation is an additional job for
 168 the extension workers that require knowledge and skills, resources and patience. Short training

169 courses (one to two weeks) were organized for selected extension agents mainly to develop and
 170 prepare them to facilitate group processes in the field. They in turn were required to organize similar
 171 trainings for their colleagues in their districts and also to initiate group activities in their respective
 172 working areas.

174 1) Steps for SDFG formation

176 The formation of farmers' groups in general are guided by the "Strategy for Farmers' Groups
 177 in Enterprise Development" developed and distributed by the MoA in 2004. However, as reported by
 178 Subedi (2009) since the legislation, policy and guidelines for farmers' groups development has been
 179 vague, many groups were formed without an in-depth pre feasibility study, market analysis, or
 180 strategic guidelines on awareness creation. As such formation of dairy groups was usually based on
 181 the general potential observed in the area and the benefits members are likely to enjoy through the
 182 collective action. A generalized step (Figure 1) for group formation has been summarized based on
 183 the results of focus group interviews, steps generally adopted by the group promoters in the field.



202 Figure 2 Steps adopted for forming SDFG

204 Despite the similarities in the group establishment steps followed by the extension agents,
 205 group development strategies widely varied across the regions, mainly due to lack of expertise,
 206 absence of specific group development guidelines and weak institutional accountability. The most
 207 common concerns shared by extension agents were; inability to conduct proper feasibility and
 208 market studies, to execute group formation processes effectively and to provide capacity
 209 development trainings to members once the group was established. The dairy group formations were
 210 mostly facilitated by the field extension agents who possess very little experiences, knowledge and
 211 skills on group processes. The focus group interview with 30 geog livestock extension agents
 212 revealed that majority (91.6%) of them claimed to have some experiences in group formation but at
 213 the same time about 83% have expressed having limited knowledge in group formation (Table1).
 214 Many extension agents have not undergone formal group mobilization trainings but have

215 participated in group formation processes in the field with other stakeholders. Despite the limited
 216 knowledge many (67%) have formed or helped form groups in the field.

217

218 Table 1 Livestock Extension Agent background in group formation processes

Variables	Yes	No	None	One	Two	> two groups
Number of groups formed	67%	33%	33.30%	25%	33.30%	8.30%
Knowledge in group formation	16.60%	83.30%	-	-	-	-
Experiences in group formation	91.60%	8.30%	Add up more than 100%			-

219 Source: Focus group interview 2009

220

221 As a group promoter/facilitator in the field, the livestock extension agents expressed the need
 222 to enhance their knowledge and skills in areas such as group formation processes, leadership and
 223 conflict management, record and book keeping, group dynamism and planning, and bylaws drafting
 224 and development.

225

226 The study found that most dairy groups were formed within short period of time with
 227 inadequate group awareness and educational activities, mainly due to limited time and capacity of
 228 the group promoters. The experiences of extension agents about groups formed in shorter duration
 229 were, often such processes had negative impact on members' sense of ownership, comprehension
 230 about benefits of collective action and participation in group activities. In principle, according to
 231 FAO (1994), it is important to allow for a reasonable time interval between the different stages of the
 232 group formation and to avoid forming groups in haste. This provides farmers adequate time to
 233 reflect, discuss and evaluate their decisions to take up collective action.

234

235 Based on the results of the focus group interviews, formation of SDFGs were mostly
 236 externally initiated based on the interest of agencies and projects, mainly to meet annual targets or
 237 simply taken up as a means for implementing new "development activities" like the dairy groups of
 238 the early 1990s. The externally driven development initiatives were found necessary particularly in
 239 the early stages of group approach promotion, mainly to encourage and create awareness among
 240 illiterate farmers about the benefits of collective action. However, such externally driven initiatives
 241 have led to the creation of expectations among the farmers where agencies often promised many
 242 support services and facilities. Supports for the development of dairy groups were provided through
 243 capacity building (training, workshops, study visits), supply of materials and equipment for (milk
 244 collection, processing and storage), loans for purchase of cattle, and subsidies for transportation of
 245 cattle and cattle feeds in the initial phase.

246

247 2) Gap analysis of SDFG formation processes

248

249 The four basic principles established by the ACC Network for Rural Development and Food
 250 Security (Table 2) were used as the basis for assessing the current group formation practices adopted
 251 by the facilitators in the field. The comparative assessment through the Gap analysis revealed a
 252 number of shortfalls (Table 2) in the group formation processes. Since most the SDFGs were
 253 externally initiated; the problems and needs of the farmers were often pre-determined by the
 254 Agencies and Authorities with minimal involvement and participation of the target farmers. As such

255 the compliance to group formation processes were often perceived as more of a formality than
 256 necessity; extension agents as facilitators complete the requisite tasks and technical inputs within
 257 short time leaving very little time for farmers to discuss, consider and comprehend the benefits of
 258 cooperation and collective action.

Check KAJ Table format?

260 Table 2 Principles, field practice and gaps in SDFG formation processes

No	Basic Principles ^{1/}	Field level practice	Gap
1	Encourage group formation <ul style="list-style-type: none"> • Do not impose anything • Work with farmers to identify their problems • Help them assess their group self-capacities • Assist in identifying areas for group action 	<ul style="list-style-type: none"> • Group formation is mostly target and project-based (externally initiated) 	Farmers' needs and problems analysis not properly identified. Weak feasibility and market study.
2	Discuss group formation <ul style="list-style-type: none"> • Go slowly-forming healthy groups takes time • Call village meetings • Discuss goals and expectations • Focus on individual profitability • Assess all benefits & costs of cooperation 	<ul style="list-style-type: none"> • Lack of adherence to group formation processes, groups formed in shorter periods and mostly top down 	Limited awareness programs and meetings. Limited group educational programs
3	Establish groups <ul style="list-style-type: none"> • Encourage small groups • Ensure that group members share a common bond homogenous • Promote groups that are voluntary and democratic • Help the group choose a name for itself • Assist it in setting realistic objectives • Urge groups to meet regularly 	<ul style="list-style-type: none"> • Participatory approaches are emphasized but groups are usually formed based on the predetermined plan and objective. 	Weak facilitation processes.
4	Aim at group self-reliance <ul style="list-style-type: none"> • Ensure that leadership develops and is shared • Highlight the importance of members contributions • Encourage simple record keeping 	<ul style="list-style-type: none"> • Organization of trainings are determined by the availability of resources 	No clear capacity development plan for group members & Extension Agents

261 ^{1/} ACC Network for Rural Development and Food Security, (n.d).

262
 263 The target based approach, weak facilitation processes and no clear capacity development
 264 plans for group facilitators and members of dairy groups, and absence of well trained and
 265 experienced community mobilizers are some of the factors affecting the smooth formation and
 266 development of dairy groups in Bhutan.

267
 268

269 **Member Benefits and Community Development**

270
271 Compared to benefits accrued from other types of farmers' groups, member benefits are more
272 visible and relatively better in the smallholder dairy farmers' groups. All the dairy groups (12
273 SDFGs) have started with member saving schemes mainly to build a collective fund to finance milk
274 collection, processing and marketing activities, and also to provide small loan facilities to the
275 members. According to the group leaders, members saving and loan scheme are useful and serves as
276 an effective mechanism for motivating and keeping SDFG members together. Further the assured
277 monthly payment to the members for their milk deposits are said to motivate and encourage active
278 member participation. The case study (Box 1) illustrates how a young SDFG benefits its members in
279 the east central region of Bhutan.

281 **Box 1. A case of Chumey gonor lothuen tshogpa (A smallholder dairy group)**

283 **Background**

284 Chumey Gonor Lothuen Tshogpa (CGLT) in Bumthang district (east central Bhutan) was established in
285 2008 with 31 members with assistance from the district's livestock sector. Since dairy is an important
286 component of the dryland farming system, all the households in the area raise dairy cattle. This
287 smallholder dairy farmers' group (SDFG) was established for collection, processing and marketing of
288 processed milk products. Currently (2011), 31 members and 15 non-members supply milk to the
289 processing unit. The functioning of the SDFG is guided by the Group's by-laws.

290 **Current Group Activities**

291 The Group collects and processes about 90-150 kg of milk per day (members and non members)
292 producing around 6-7 Kg butter and 70 balls of cottage cheese (200g/ball) daily earning a net income of
293 about Nu. 6000 per month. The products sold are fresh milk (Nu. 25/Kg), butter (Nu.240/Kg), cottage
294 cheese (Nu.25/ball), skim and butter milk (15/Kg). Products are marketed from the processing unit and
295 surplus products are marketed through the existing renewable natural resource farm shop located in
296 Bumthang town. The group also procures and supplies commercial dairy feed to the group members,
297 and has an insurance scheme for cattle and family members of the group.

298 **Benefits to members**

299 The opportunity for smallholder dairy farmers to raise their income depends on their ability to
300 participate and compete in the market. With a long way to go to developing into a fully sustainable
301 group, this SDFG has at least made a good start in initiating the use of collective action for addressing
302 the inefficiencies and coordination problems related to market access. On an average, a farmer supplies
303 about 3 kg of milk per day (Nu.20/kg) earning approximately about Nu.1800 per month. Besides
304 enabling the community to earn regular monthly cash income, the group has also helped to strengthen
305 the financial position and social bond among members. The loan from the group saving scheme has
306 made the members' access to credit easy, reducing the dependency on expensive external credit sources.
307 The success of the group has raised the interest of many non-members, who are then more inclined to
308 join the group.

309 **Future outlook**

310 The Group has plans to strengthen and expand its membership, explore possibilities for product
311 diversification, initiate heifer production for stock replacement and sale and support the development of
312 improved pasture. Like many other successful farmers' organizations, this SDFG has effectively
313 encouraged greater group participation in the market by reducing the transaction costs and improving
314 their group's bargaining power.

315
316 The SDFGs can be seen as an important platform for facilitating community development
317 processes in the rural areas. The community development is seen as a process for facilitating active
318 participation of people in the issues which affect their lives, involving sharing of power, skills,
319 knowledge and experience. The improved SDFG's members' access to cash and loan facilities,
320 better sharing of knowledge and information on dairy farming, and stronger representation of
321 members to outside agencies are helping to strengthen rural communities. According to the
322 members, in the absence of SDFG, there was little or no opportunity to earn cash or avail loan on the
323 farm since loan sources were very limited and often came with high interest rates. The benefit of
324 group is evident from Chumey's case (Box 1) in east central Bhutan where the group currently
325 assures monthly cash flow for milk deposits and also provides low interest loans to its members
326 easing the cash demands on the farm and reducing dependency on external credit sources. Thus, as
327 put forward by Laidlaw (1962) with their emphasis on self help and local initiatives, the dairy groups
328 and cooperatives in Bhutan can be the mainspring of the people's own effort for dairy and
329 community development in the future.

330

331 **Challenges for Mobilization of SDFGs**

332

333 A major weakness in terms of management and organizational issues in Bhutan is the
334 difficulty in mobilizing groups and undertaking group formation activities, further hindering the
335 commercialization of farming activities (Bellotti and Cadilhon, 2007). The challenges include
336 factors related to cultural and social, technical, policy, physical, organizational, and land resources.

337

338 **1) Cultural and Social Factors**

339

340 The low level of trust among farmers and their individualistic thinking about farming
341 practices are making the group mobilization processes more difficult and challenging. Subedi (2009)
342 confirms illiteracy of the farmers, lack of awareness of group benefits, lack of cohesion among the
343 group members, lack of rural manpower to participate in group activities, and a lack of trust amongst
344 the group members as constraining group development in eastern Bhutan. A high illiteracy rate
345 among large numbers of uneducated farmers was said to affect development of SDFG's and their
346 performance. According to the dairy farmers' group leaders, instilling a sense of ownership among
347 members who usually are not aware of their responsibilities is said to be difficult and challenging.
348 This could be attributed in part to weak, inadequate and vague awareness programs (trainings and
349 meetings) in the pre-establishment period of the dairy groups. However, this assumption requires
350 further study and confirmation.

351

352 **2) Technical Factors**

353

354 The lack of trained and experienced group promoters who understand group mobilization
355 processes and are capable of handling these processes smoothly is a major constraint to the
356 formation of farmers' groups in Bhutan. The shortage of trained professional group promoters at the
357 Department and Dzongkhag levels, have forced the Extension Agents to attend a few days training
358 on group modalities (usually between 5 and 8 days) and are often required to take the role of group
359 promoters and trainers in the field. This raises questions on their competency and effectiveness,
360 especially when they are also required to perform many other technical livestock extension services

361 for the public. Belotti and Cadilhon (2007) reported lack of skills and expertise among the group
362 promoters and poorly trained extension agents as some of the reasons constraining the group
363 mobilization efforts in Bhutan. According to the livestock personals, members' inability to invest in
364 improved cattle owing to high prices, the risk of cattle mortality, and high cost of feed, marginal land
365 holdings that limit pasture development and a general lack of knowledge of proper feeding regime
366 also said to constrain the development of dairy groups.

367

368 **3) Policy Factors**

369

370 While overall national policy support for farmers' group formation is strong, the absence of a
371 uniform support programs is a concern for the group mobilizers and farmers, especially in areas
372 where project supports are minimal or absent. The financial resources and technical supports are
373 essential ingredients for capacity developments in the initial stages of group formation and
374 development.

375

376 As reported by Subedi (2009), a common phenomenon throughout the nation is weak local
377 government support, non-involvement in group formation, limited or no accountability for group
378 activity and absence of continuous monitoring of group activities by the local government. All of
379 these areas of institutional weakness play a role in limiting the development of farmers' groups in
380 eastern Bhutan.

381

382 **4) Geographical Factors**

383

384 Bhutan is an exceptionally mountainous country with most settlements concentrated in small
385 river valley bottoms and on steep mountain slopes where accessibility is difficult and time
386 consuming. The conditions are improving with construction of new farm roads but at the moment
387 poor road connectivity and transportation facilities between settlements are also hindering group
388 mobilization efforts in Bhutan. The physical separation of settlements and households due to the
389 difficult terrain offers less opportunity for interaction between communities, thereby limiting group
390 formation and functioning in some parts of the country.

391

392 **5) Organizational Factors**

393

394 The lack of interested and dynamic leaders is expressed as a major concern for the SDFG's
395 covered in the study. As reported by Subedi (2009) the unavailability of qualified candidates from
396 illiterate group members with limited leadership capabilities often makes it very difficult for groups
397 to change committee members and office bearers as required by the group bylaws. According to the
398 SDFG leaders, lack of knowledge on book-keeping and accounting, absence of clear monitoring and
399 evaluation systems exacerbated by weak participation by the members are all said to be affecting
400 group development. As rural entrepreneurs, the SDFGs also lack knowledge of the dairy market,
401 access to technology, business linking services, advocacy and other services that would help them to
build competitiveness.

402 The mobilization and functioning of the dairy groups is also affected by the lack of a uniform
403 organizational development plan for SDFGs. Some dairy groups are not even able to carry out the
404 primary role for which the group was formed, such as collection, processing and marketing of milk

405 products. For example, Gogona smallholder dairy farmers' group in the west central region of
 406 Bhutan has privatized the milk processing and marketing to a single member simply due to lack of
 407 manpower and transportation facilities. The members only contribute milk and receive payment at
 408 the end of the month where cooperative thinking and value is almost absent. The inability of SDFGs
 409 to diversify their activities and provide additional benefits to the members is also a concern for the
 410 development and management of the dairy groups.

411 **6) Lack of financial resources**

412
 413
 414 Scarce financial resources in the early stages of SDFG development is reported as a common
 415 constraint among all the SDFGs due to difficulty in mobilization and low internal group savings by
 416 the livestock group promoters. According to the livestock extension agents' lack of assets, proper
 417 offices or office equipment and unwillingness among members to invest are also said to hamper the
 418 growth of dairy groups. Dairy groups are highly dependent on government subsidies and donor
 419 funding, especially in the early stages of group formation and development. Further, since groups are
 420 mostly promoted in areas with project supports, often members join the group mainly aspiring for
 421 project inputs and incentives, increasing their dependency on the external sources. The introduction
 422 of the Revolving Fund 2010 by the Animal Husbandry Department is expected to minimize the
 423 financial constraints atleast with the livestock related group enterprises.

424 **Conclusions and suggestions**

425
 426
 427 In summary, as identified by FAO (1998), the social environment plays a major role in the
 428 establishment, development of self reliance and sustainability of farmers groups in general. Similarly
 429 the key parameters that influence success or failure of a SDFG are: purpose and potential benefits of
 430 group formation; motivation and timing of formation; the role of a group promoter or a facilitator;
 431 and the extent and form of external support.

432
 433 The change in policy approach towards rural development with emphasis on collective action
 434 has raised the level of awareness among farmers about the value of cooperation resulting into
 435 increased number of SDFGs in the past few years. The lack of professional group promoters
 436 demands the recruitment of trained group promoters at the Department and Dzongkhag levels who
 437 could guide, streamline and strengthen the group formation processes.

438
 439 The increasing involvement of livestock extension agents with their limited knowledge and
 440 skills in community organizing underscores the need for these agents to enhance their skills in group
 441 mobilization, participatory approaches and marketing. In order to successfully implement capacity
 442 development programs for farmers groups, extension agents should focus on the three basic
 443 promotional roles identified by FAO (1994); as a group advisor, participatory trainer and networker.
 444 Agents must explore the engagement of professionals from other organizations to build up linkages
 445 and network with relevant academic institutions providing community development and
 446 management courses. Group formation demands special knowledge and skills, commitment and
 447 extra time from the group promoters, and therefore it is important for the concerned authorities to
 448 reassess the workloads of Extension Agents and find out the availability of time, especially when
 449 they are also required to provide other technical services at the same time.

450

451 The lack of strategic guidelines and institutional support assures no uniformity in the support
 452 and management services provided, further leading to weak monitoring and evaluation of SDFGs
 453 activities. Since formation and development of SDFGs are “project driven” and supported, there
 454 should be a clear strategy and plan to support the already established groups especially after
 455 termination of project support.

456
 457 Lack of start-up capital is a constraint faced by the SDFGs in the early stages of
 458 development. FAO’s experiences in other countries found “savings first” as a more effective
 459 approach, than using low interest credit as an incentive for group formation and management in the
 460 initial stages of development (Rouse, 1996). Therefore, group promoters should first focus on
 461 cooperation to improve members’ income generation potential which will not only reduce the
 462 dependence on the government and donor subsidies but will also solve the financial requirements in
 463 the early stages of the group formation and development.

464
 465 Although many challenges lie ahead for SDFGs to fully develop into sustainable dairy
 466 groups and cooperatives, they are relatively better in terms of management and benefit-sharing
 467 compared to other farmers’ groups in the country. As a result, according to the extension agents’
 468 members’ participation in the group activities is said to be improving through more effective group
 469 leadership, improved trust among members, positive changes in individual attitude and commitment
 470 towards group activities. Further, it is also said that the mobilization of farmers into dairy groups, by
 471 promoting understanding and collaboration among members irrespective of their background and
 472 status, has also helped to strengthen members’ social bonds thereby building more peaceful and
 473 stronger communities in the rural areas. Therefore, SDFG presents promising opportunities as an
 474 organization at the community level to channel all the government assistance and also as a link
 475 between the government and people in framing and dissemination of government policy.

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Developing-country governments have also started to make agriculture a higher priority. Organizations such as the New Partnership for Africa's Development, Alliance for a Green Revolution in Africa, the World Economic Forum's New Vision for Agriculture, and Grow Africa initiatives have invested in smallholder production. Throughout sub-Saharan Africa, venture capital and private equity firms are also seeing agriculture as an increasingly important sector for investment. Similarly, commodity traders and commercial buyers have shown a growing interest in providing direct support and credit to producer groups using methods such as contract farming and establishing out-grower schemes. This paper describes the mobilization processes of Smallholder Dairy Farmers' Groups (SDFG) and its relevance to the process of community development in an integrated crop livestock forestry farming system in Bhutan. The group approach aims to ensure effective delivery of dairy services for strengthening collective self-help capacity, promoting self-reliance, group cooperation and solidarity of poor rural farmers through collective action. Data for the study were generated through focused group interviews and workshop organized among the relevant stakeholders involved in formation and development... Smallholder farmers in developing countries are often trapped in a vicious cycle of low-intensity, subsistence-oriented farming, low yields, and insufficient profits to make beneficial investments. These factors contribute to high levels of poverty in many rural areas (1 in 3). Community-Level Effects. Higher labor demand among contract farmers may generate new employment opportunities for the rural poor. The prevalence of contract farming may also affect nonparticipating households via various other pathways, including improved availability of farm inputs and services, technology spillovers, or investments in local infrastructure. , Contract farming, smallholders, and rural development in Latin America: The organization of agroprocessing firms and the scale of outgrower production. In Bhutan, the concept of smallholder dairy groups is relatively new, although the smallholder dairying dominates the mixed farming system. Dairy, as an important component of rural economy, receives undue attention. Many rural development projects and plans were implemented to accelerate dairy development, largely targeting youth employment, and to spur economic growth. Among livestock activities, dairy was identified as a best bet for Haa district in Western Bhutan, considering the district's favorable climatic conditions for dairying in the temperate region (2400-3000 m asl) [8]. Over the last one decade, Haa district saw a rise in number of dairy groups. Value chain development is an important strategy to achieve sustainable development for smallholder farmers. It focuses not only on farmers and their direct livelihood but recognizes that sustainable agricultural projects ought to more. Value chain development is an important strategy to achieve sustainable development for smallholder farmers. It focuses not only on farmers and their direct livelihood but recognizes that sustainable agricultural projects ought to consider the entire production process by not only improving the factors of production for smallholder farmers but also allowing