Bhutan, a small land-locked country in the eastern Himalayas, well-known for its ambitious "Gross National Happiness" concept, is undergoing a rapid change in society. Thereby, the land-use system and the use of natural resources, still providing livelihoods to over 55% of the Bhutanese society, is also changing. The Bhutanese farming systems still build widely on traditional knowledge and low-input strategies. Nutrient transfers from forest to the agricultural systems and the usage of traditional plant varieties are still important elements of these farming systems. However, cash-crops gain increasing importance and represent a major transformation factor in the agricultural sector which has decreased in provision of livelihoods as well as the share of GDP over the years.

Having this in mind, this research builds on a case study that was conducted in a degraded watershed in the district of Dagana, in the southern part of Bhutan.

In order to shed light on the complex nexus between farmers´ livelihoods strategies and social-, ecological and economical driving forces, a qualitative ethnographical study was conducted, using participant observation and qualitative interviews as the main methods during the fieldwork. The findings of this local study are discussed in relation to general theories on agricultural land-use change.

The research revealed critical points of intersection between national policies, general developmental processes of change, such as electrification and the construction of roads in the region, as well as farmers´ decisions about how to make their living. Cardinal points in this relation are a strong focus on cash-crops that goes along with a shift from traditional subsistence oriented agriculture towards a more money-oriented farming system, the country´s vision in the agricultural sector to produce 100% organic by 2020, and a strong rural-urban migration linked to the educational system that creates a lack of labour. These points shall open up important questions about sustaining a future of natural resources and rural livelihoods that are strongly interconnected with socio-cultural processes.