

Cambodian Paddy Production & Rice Exports in Overall Agricultural Policy & Trade Policy

Kim Veara & Korm Ribaun



Cambodia in Brief

- Average growth rate: 7%
- GDP per capita: \$1,433
- Poverty reduction: 53% in 2004; 47% in 2007, and 19% in 2012 , around 10% in 2018 (est)
- Non-agriculture wage made up of more than one-third of rural income in 2016

Roles of Rice in the Economy

- Paddy/rice contributes to 20% of Cambodia's GDP.
- Paddy/rice employs roughly 70% of total employment (2009).
- Rice production and surplus has grown steadily since 1995: with more than seven million tons of paddy, leaving a surplus of more than three million tons after consumption in 2009, translated into around 2 million tons of milled rice.

Way to policy reform (1)

- The vast bulk of harvest was exported as unprocessed raw paddy into Vietnam and Thailand due to production constraints, especially at the milling level, and financial constraints at each in rice value chains.

This resulted in significant losses of value added to the economy.

- An increased global demand for aromatic rice and organic rice (ADI 2010).

Way to policy reform (2)

- Based on RS 2004, the NSDP 2006-2010 set a target of producing 5.5 million tons of paddy by 2010.
 - An increase of the rice yield from 2.0 tons per hectare in 2005 to 2.4 tons per hectare by 2010 was the target.
 - \$990 million, or 13.8 % of the budget resources was allotted to support the plan.

Way to policy reform (3)

- **Strategy for Agriculture and Water (SAW):** introduced in 2007 to enhance agricultural productivity and diversification and improve water resources development and management.

Way to policy reform (4)

- In the 2008, Mid-Term Review of NSDP, the rice targets were revised to reflect a much higher level: the target of rice production for 2010 was adjusted to 7.5 million tons, from the original 5.5 million tons in 2006.
 - The rice yield target rose to 2.8 ton/ha for 2010, instead of the original 2.4 ton/ha in the NSDP 2006-2010 document.
 - The targeted rice irrigation area for 2010 was expected to expand to 867,000 hectares, 200,000 hectares more than in the original plan.

Way to policy reform (5)

- **Policy Paper on Paddy Production and Export Promotion was enacted in 2010:** with a vision of transforming Cambodia into “**rice basket**” and milled rice exporting countries:
 - Paddy surplus of more than 4 million tons; 1 million ton of milled rice to be exported by 2015
 - Cambodian rice to be internationally recognized

Reform Agenda (1)

- **Short to medium term:** (1) continue to invest in and expand irrigation facilities, promote the use of water, seed, fertilizers and technology and micro credit, (2) encourage private sector investment in processing and export of milled rice, and (3) improve export procedures
- **Medium and long term:** enhancing competitiveness: production technology, management of soil fertility, physical infrastructure, etc.

Reform agenda (2)

Quick-win and medium and long-term measures:

- ***Measures related to paddy rice production:*** high-yield seeds & farming techniques, irrigation expansion, rural roads, microcredit, productivity and crop intensification, rural electrification, farmer organization and sustainable use of land
- ***Measures on rice collection and processing:*** private sector participation, financing of rice collection, strengthen millers' associations, financial instruments, establishing Agricultural Development Bank, electricity price and coverage areas

Reform agenda (3)

Quick-win and medium and long-term measures:

- ***Measures on logistics:*** enhance trade facilitation, reducing informal fee, creating SSW, addressing grading and standards, building ports and warehouses, formulating strategic on legal framework on sanitary and phyto-sanitary standards, investing in infrastructure to reduce costs of transport
- ***Measures related to marketing:*** export opportunity exploration, establishing rice market intelligence unit, promote information sharing, strategy to compete in global markets

Ministry of Agriculture, Forestry and Fishery

- **Coordinates** with other ministries/agents to implement the Policy Paper on Paddy Production and Rice Export Promotion
- **Agricultural Strategic Development Plan 2010 – 2013:** to ensure enough & safe food availability for all people, reduce poverty, increase GDP per capita, and encourage sustainable natural resource management & conservation
- **Action Plan for Paddy Production and Rice Export:** Four measures were developed according to the Policy Paper on Paddy Production and Rice Export Promotion.

Ministry of Commerce

- **Trade Sector-Wide Approach:** Launched in 2008 in consultation with development partners, also serves as Cambodia's Aid-for-Trade (AfT) strategy to strengthen Cambodia's ownership and management of AfT.
- Working with the MAFF, the Ministry of Foreign Affairs and International Cooperation development partners as well as the private sector seeks to implement the policy

Ministry of Economy and Finance and the National Bank of Cambodia

- Address issues related to the establishment of financial institutions and to any financing.

Ministry of Water Resources and Meteorology (MoWRAM)

- Jointly developed with the MAFF, the **SAW (2010-2013)**, adopts a long-term development goal of sustainable and pro-poor management of water resources.

Ministry of Land Management, Urban Planning and Construction

- Gives priorities to delivering land titles in potential rice production areas to ensure security of tenure, reduce disputes and in general, to encourage investment in land.
- Cooperates with the Ministry of Agriculture Forestry and Fishery (MAFF) and agencies concerned to classify land use zone and widely disseminate this information to farmers.

International Donors

- **Assistance to rice production:** Clear strategies to reduce poverty through developing Cambodia's agricultural sector (ADB, FOA, AusAID and IFAD)
- **Access to finance:** loans and loan guarantee scheme
- **Working with trade development:** IF/UNDP TRADE-project, IFC Agro-Processing Project (EU-funded), GIZ, as well as the AFD have focused on the preparation of rice millers in meeting the demands of importing markets and gaining knowledge of those markets.

Associations and private banks

- **Associations:** A number of associations working with rice production and export promotion have been active. They exist to provide the following services: Paddy banking facility; selling through consolidated large tonnage for international orders; daily rice price updates; rice news
- **Private banks:** Canadia Bank and ACLEDA Bank are more active in providing loans to rice millers, so that they can acquire milling facilities as well as buy paddy for milling. Canadia Bank even established a specific unit to provide loans to rice millers. The capital available for the loan was \$100 million.

Financial support and access to finance

- Funds were made available for 251 rice mills in 2011 (gov't budget)
- Loan guarantee scheme
- Establishment of rice mill credit unit at some major private banks

Arrangements, market development and R & D

- Businessmen sent to European countries and neighboring countries to learn about production techniques and technology to meet the requirements of the importing countries
- Exhibition and award winning in 2012 & 2013
- Bilateral agreements for export

Rice Production and Export

	2008	2009	2010	2011	2012	2013	2014	2015
Production Paddy ('000 T)	7,175	7,585	8,245	8,779	9,290	9,390	9,324	9,200
Exports - Milled ('000 T)	5	20	52	202	205	378	387	538

Growth in yield paddy production, cultivate areas and surplus

Year	Yield (T/h)	Paddy Production (T)	Cultivate Area (ha)	Paddy surplus (T)
2000	2.12	4,026,092.00	2,318,495.00	142,476.56
2001	2.07	4,099,015.00	2,240,917.00	568,981.25
2002	1.92	3,822,509.00	2,137,125.00	243,759.38
2003	2.1	4,710,957.00	2,314,285.00	1,072,650.00
2004	1.98	4,170,284.00	2,374,175.00	650,184.38
2005	2.48	5,986,179.00	2,443,530.00	2,061,829.69
2006	2.49	6,264,123.00	2,541,433.00	2,240,437.50
2007	2.62	6,727,127.00	2,585,905.00	2,577,562.00
2008	2.75	7,175,473.00	2,615,741.00	3,164,114.00
2009	2.84	7,585,870.00	2,719,080.00	3,507,185.00
2010	2.97	8,249,452.00	2,795,892.00	3,932,425.00
2011	3.17	8,779,365.00	2,968,529.00	4,344,263.00
2012	3.117	9,290,940.00	2,980,297.00	4,735,964.00
2013	3.163	9,389,961.00	2,968,967.00	4,828,832.00

Access to up-markets (2013)

No.	Countries	Rice Quantity (T)
1	France	57,232
2	Poland	55,879
3	Malaysia	51,823
4	Netherlands	29,699
5	China	28,302
6	Thailand	23,550
7	Gabon	14,708
8	Spain	11,792
9	United Kingdom	11,373
10	Germany	10,564

Conclusion

- Cambodia has painted a generally positive picture. Rice production has been rising; yields have been increasing; the area under cultivation has been growing; investment in modern milling technology has risen; government has boosted research and information dissemination; new markets have been explored; and rice exports have boomed.
- These gains appear to have been largely linked to government involvement in industry promotion.
- Using a comprehensive approach to rice production and export, government identified and acted upon a wide range of policy initiatives. It did this in two ways: first by direct involvement and second through creating an enabling environment for the private sector, including farmers.
- Market forces were not ignored. Indeed, the promotion of the enabling environment was very cognizant of how to take advantages of market opportunity and to respond to market signals.

Conclusion

- However, in a situation where the private sector is unable to generate autonomously the desired rice industry growth, the government stepped in to delineate what needed to be done and how it would be done, the latter mostly involving government action.
- The overly simplistic nature of the one-size-fits-all neoliberal prescription of the late 20th century that the state should step aside to make way for private sector regulation, investment and trade.

Conclusion

- Despite the production and export success, there are still problems that affect the industry and which make production and export targets overambitious. It is possible that through progressive strengthening of private sector actors in rice production and export, the industry may be sustained with less interventionist approaches in the future.