

ASEAN-Korea International Symposium

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

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I. Contextualizing Reform

Contents

- Contextualizing Reform
- Policy Making
- Policy Implementation
- Policy Evaluation
- Conclusion and Recommendations

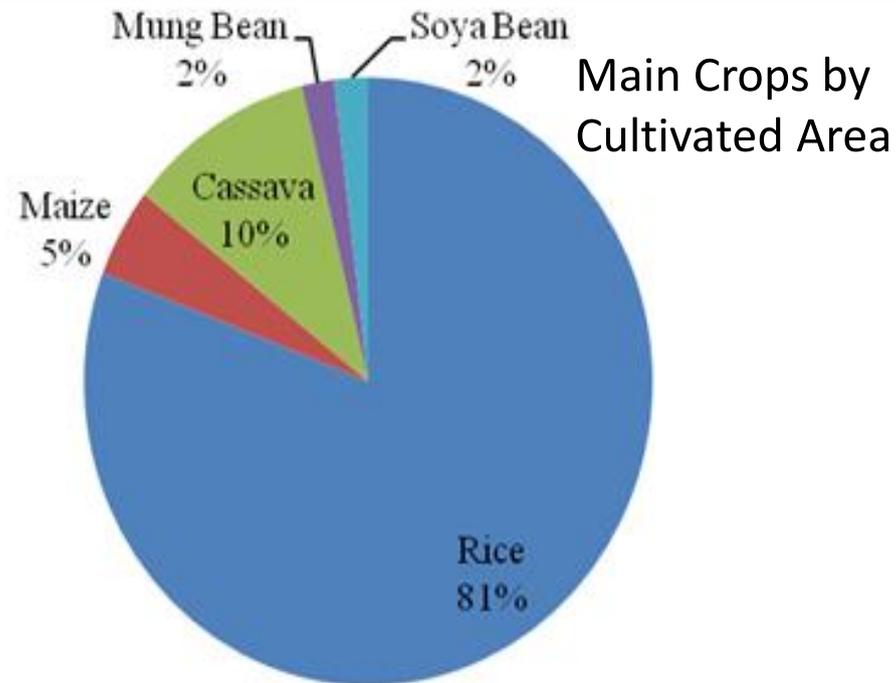
Brief Indicators

Average growth rate: 7.7%

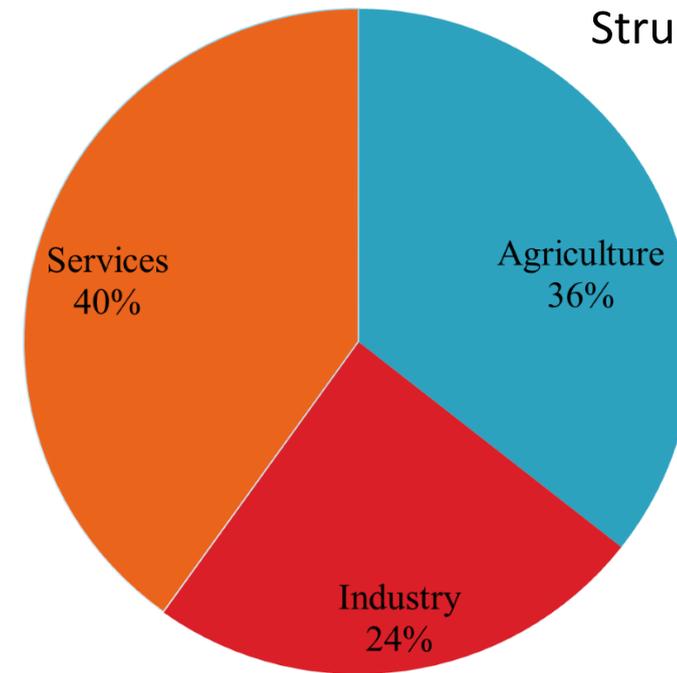
GDP per capita: \$1,036 in 2013

Poverty rate: 53% in 2004; 47% in 2007, and 19% in 2012

Agricultural-based characteristics



Structure of Output



Roles of Rice in the Economy

Paddy/rice contributes to 20% of Cambodia's GDP.

Paddy/rice employs roughly 70% of total employment.

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.

2. Policy-Making

Way to policy reform (1)

- 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.
- **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 (2)

- 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 (3)

- 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 actor in rice value chains. *This resulted in significant losses of value added to the economy.*

👉 **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

Contents of the policy (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.

Contents of the Policy (2)

Quick-win and medium and long-term measures:

- ***Measures related to paddy rice production:*** high-yield sees & 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

Contents of the policy (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

Policy-Making Process (1)

- Champions of the reform:

- Initiated by the Prime Minister
- The Supreme National Economic Council (SNEC) led the draft of the “Policy Paper on Paddy Production and Rice Export Promotion”.
- The Committee on Economic and Finance Policies led the meeting through which inputs were collected from concern ministries and agencies.

Policy-Making Process (2)

- Agencies involving in the reform:

- Committee on Economic and Financial Policies: evaluation and coordination at policy level
- Agricultural Produce Export Promotion Committee: overall coordination and secretariat to PM
- The Ministry of Economy and Finance and the National Bank of Cambodia: related financial issues, financial institution
- Other concerned ministries / institutions (most of the ministries, Rice Export Association; FASMEC...): based on their relevance

Policy-Making Process (3)

- The driving forces of the reform:

- Commitment to ensure further implementation of the Rectangular Strategy – Phase II
- Strategies for the development of the agriculture development
- The big potential to increase paddy production and rice export
- Big opportunity to expand milled rice market
- The introduction of a series of measures to capture the opportunity

3. Policy Implementation

Implementing agencies...

Besides coordination with other ministries/agents, **Ministry of Agriculture, Forestry and Fishery** has developed the following policy and action plan:

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

The ministry of Commerce works with the MAFF, the Ministry of Foreign Affairs and International Cooperation development partners as well as the private sector seeks to implement the policy **through market development and bilateral agreements with potential importing countries.**

While giving 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, the ***Ministry of Land Management, Urban Planning and Construction*** also **cooperates** with the MAFF and agencies concerned to classify land use zone and widely disseminate this information to farmers.

International donors have worked to ...

- **Improve quality and yield:** ADB, FOA, AusAID and IFAD
- **Facilitate access to finance:** loans and loan guarantee scheme
- **Develop trade:** 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 exist to provide the following services: Paddy banking facility; selling through consolidated large tonnage for international orders; daily rice price updates; rice news

Canadia Bank and **ACLEDA Bank** become more active in providing loans to rice millers for more advanced milling facilities as well as buying 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.

3. Effects of the Reform

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

Milling capacity

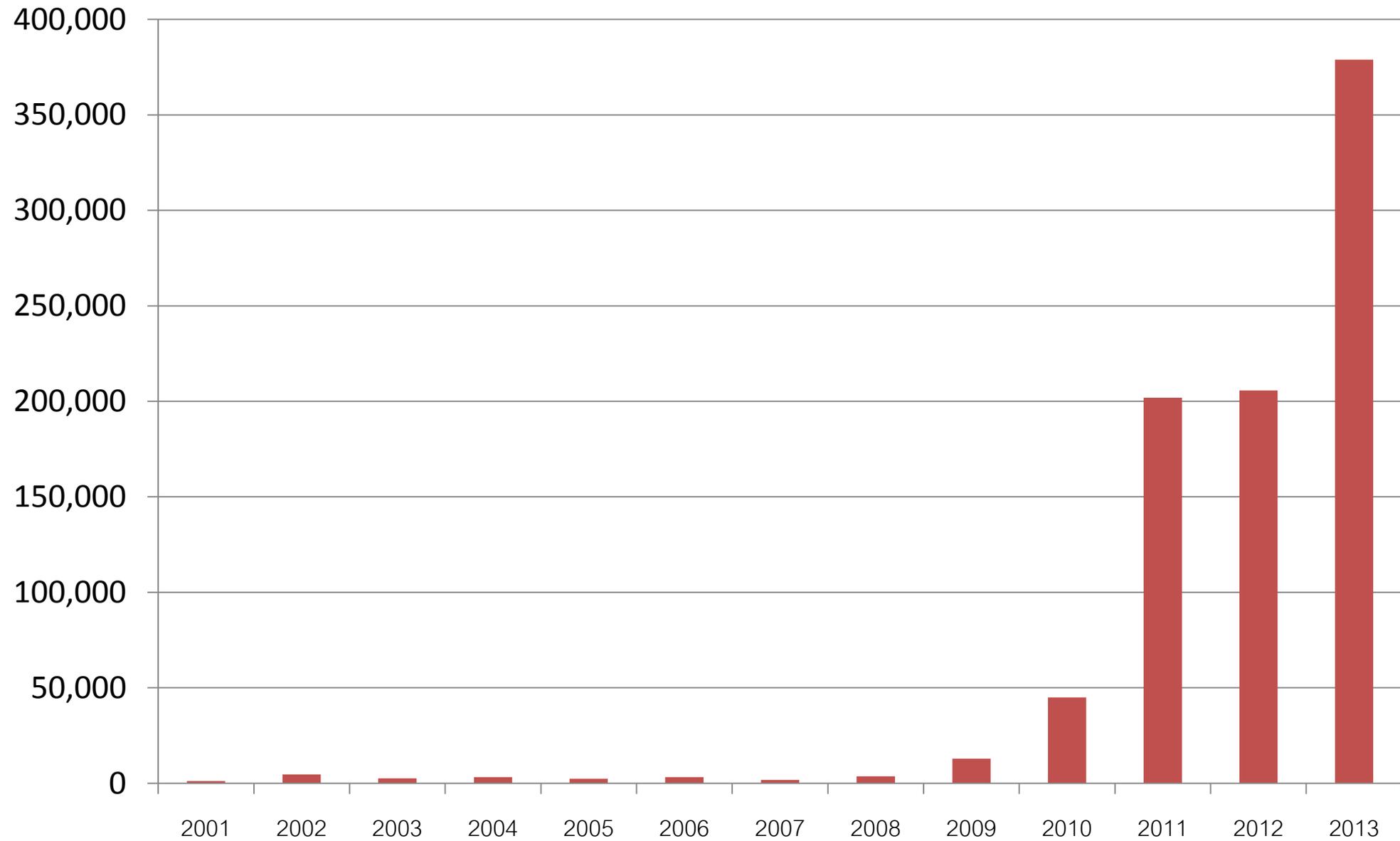
- 100 t/h in 2010 to 325 t/h in 2012 to 700 t/h in 2013

Market expansion and number of exporters

- Export destinations: 35 in 2010; 74 in 2013
- Number of exporters: 70 in 2012; 84 in 2013

Increase in rice export

Rice Exports 2001 - 2013



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

Time and costs of running procedures for export

No.	Areas of improvements and tax incentives	Before	After	Reduced
1	Time of running export procedures of rice export (number of days)	7	4	40%
2	Costs of running export procedures of rice export (\$/ton)	50	35	40%

- **Better capacity of producers through learning from buyers:**
Businessmen sent to European countries and neighboring countries to learn about production techniques and technology to meet the requirements of the importing countries
- **Best rice awards in 2012 & 2013**

4. Challenges for Policy Consideration

Lack of capital and supply capacity

- Capital to set up the processing facilities
- Working capital for paddy purchase and stocking

Continued poor paddy rice quality

- Rice seeds
- Pre-harvest and post-harvest techniques

Continued low competitiveness due to cost of production and transportation

- Milling and transportation costs in Vietnam is 50% cheaper
- \$50-\$60/ton for transportation, doubling the costs in Thailand
- \$35/ton for running export procedures

Weak association and collective action

- Lack of trust in associations and trust among actors
- Individual-based: no joint supply from rice millers when individual exporters are unable to supply large orders

Threat of loss of EBAs status

- EBAs will be renewed or extended after or beyond 2015?
- Complaint from Italian farmers

5. Conclusion

- The policy outcomes have been quite significant in a way that it has drastically affected the export of Cambodian milled rice to both low-end and high-end markets, yield and production increase, market expansion, reduced time and export procedures, and policy change.
- It is however, some prominent issues need to be further addressed. Rice quality, capital, and collective actions need to be solved and promoted respectively. The challenge of losing EBA status could be big concern for Cambodian rice.



Thank You!



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34