



AGRICULTURE SECTOR BRIEF

CAMBODIA



Country Overview










The Kingdom of Cambodia occupies the southern part of the Indochina peninsula. Its area is 181,035 km², and shares its borders with Thailand, Lao PDR and Viet Nam, with a population of just over 15 million. The head of state of the elective constitutional monarchy is the monarch himself, currently Norodom Sihamoni, while the executive power lies in the hand of the Prime Minister, currently Hun Sen.

While per capita income remains low, and the country is classified by the United Nations (UN) as a least developed country, Cambodia has emerged in the last decade as one of the fastest growing economies in Asia. In 2019, even by ASEAN region standards, it was one of the top performers. Although agriculture still dominates the economy, the strong GDP growth was driven by textiles, construction and tourism industries and services. There is a significant foreign direct investment flowing into the Cambodian economy, mainly from China.

The coronavirus outbreak made Cambodia's economy lose momentum, as tourism and manufacturing were hit immediately by vanishing demand. Moreover, in February 2020, the EU partially withdrew Cambodia's preferential market access, which will affect around 20% of its exports to the EU.



Indicator	 Population (million)	 GDP per capita (USD)	 Economic growth (GDP annual variation, %)	 Inflation rate (%)	 Trade balance (billion USD)	 Exports (billion USD)	 Imports (billion USD)
2015	15.5	1,160	7.0	1.2	-4.0	9.4	13.4
2016	15.8	1,278	7.0	3.0	-3.9	10.3	14.2
2017	16.0	1,385	7.0	2.9	-4.3	11.3	15.6
2018	16.3	1,510	7.5	2.5	-5.9	13.0	18.9

Sector Overview



In 1993, more than 80% of the population of Cambodia worked in farming. Thanks to the recent economic growth in other sectors, and technical improvement in agriculture, the latest study from the Ministry of Agriculture shows that employment has been halved, while agriculture accounts for 22% of the gross domestic product.

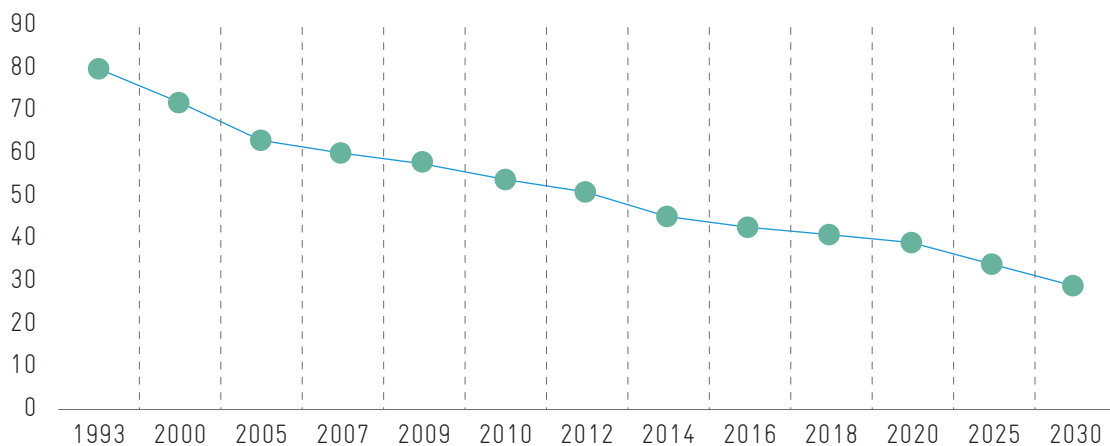
Cambodian agriculture still has to face a number of challenges. The rapid decline in the number of people working in the sector has already caused problems in small enterprises, as the sector transitions from small-scale family run farms to industrial farming and trading enterprises. Local small farms are mostly rain-fed, use native seeds and can afford few fertilisers or other inputs. 58% of these farms produce only one crop (rice), and only 59% of the farms can produce more than is consumed by the household. These small farms are usually less than 4 acres (1.6 hectares), and 41% are smaller than 2 acres in size.

To assist the process of industrialisation in the sector, the government enabled important liberalisation measures. It is now possible to lease larger land holdings for private companies as so-called economic land concessions – ELC. Contract farming and private leases are also becoming a common practice in the country.

As in other rapidly developing South-East Asian nations, the agricultural sector's growth is somewhat smaller than the growth of manufacturing or service sectors, yet agricultural gross value added still increased by 4.4% during 2018.

Traditionally, the main export market for Cambodia was the EU, but new customs duties were imposed on Cambodian agricultural products in 2019 – mainly to protect European producers. Cambodia needs to look elsewhere, and other ASEAN countries can be a good opportunity for local, newly developed companies.

Labor in Agriculture (%) Compare to Total Labor Force



Agricultural policy

The Ministry of Agriculture, Forestry and Fisheries (MAFF) is responsible for supervising agriculture in Cambodia. Regarding policy making, the most important department is the Department of Agricultural Extension (DAE), which aims to improve food security, rural income and agricultural production in Cambodia by improving the quantity and quality of agricultural production. DAE, through its district and community-based extension workers, represents Cambodia's frontline efforts to sustainably improve agricultural production, provide farmers with access to vital agricultural information and support the development of farmer organisations and agricultural communities.

The country's main strategic document, the so-called Rectangular Strategy III, focuses on further improvement of agriculture. The main goals and elements of the strategy are:

- Productivity enhancement, through improved agricultural inputs, and land management reform
- Diversification, especially in crops
- Agricultural commercialisation, including finance and marketing, organisational reforms, and institution building
- Infrastructure building and enhancement, including roads, irrigation, and energy/electricity
- Implementation of ICT technologies
- Promotion of agricultural investments.

The Cambodia Agricultural Extension Portal is the most reliable and useful information source about the policy changes and results of Cambodia.

Main products and segments - crops

Rice

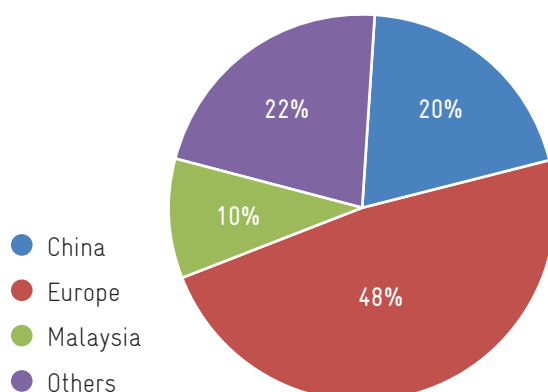
Paddy is far more important in Cambodia than any other crops. There are many types of rice grown in Cambodia, but all can be divided into two main types: fragrant rice and white rice. Premium Jasmine Rice and Withe Gold are the most popular and most appreciated varieties.

In recent years, Cambodia had an exportable surplus of rice for the first time in 2008. Despite efforts of the government and the initiative of the “White Gold policy”, Cambodia did not reach the targeted 1 million tonnes of exported milled rice by 2015 and in 2018, the figure was still 626.225 tonnes, with China and France being the largest importers. Along with the efforts of finding export partners, average paddy yield increased from 2.83 tonnes per hectare in 2009 to 3.3 tonnes in 2014, which is however, still lower than in neighbouring countries, 3.5 in Thailand, 4.1 in Lao PDR and 6.2 tonnes in Vietnam.

The Cambodia Rice Federation is the industry's stakeholder organisation, with useful information on paddy production and output on their website. According to the Federation, Cambodian rice has several advantages on foreign markets:

- Recent investments in milling, including highly automated, computer-controlled facilities, improved the quality of a product that has been chosen three times as ‘the best rice in the world’
- Exported rice meets stringent inspection requirements, and certifications comply with EU, China and US requirements
- Cambodian rice is ‘green’, which means it is naturally grown, not genetically modified and the use of fertilisers and pesticides is limited, with many local producers applying for organic certifications or Fair Trade
- The best jasmine rice varieties have been DNA-mapped, so authenticity can be guaranteed
- Fortified rice, enriched with minerals and vitamins is now available in Cambodia.

Cambodian Rice Main Export Destination (2012 to 2017)



As mentioned above, one of the strategic goals of Cambodia is to diversify its crop production. The most important non-paddy crops are corn, sugarcane, cashew nut, rubber and cassava. From 2010, the land area used for these plants tripled in just 5 years.

Sugarcane

One of the most promising agro-industries in Cambodia could be sugar production from sugarcane. In the last few years, production, export and re-export grew significantly, reaching US\$ 82 million in 2018. Export markets are mainly the EU and China, but Cambodian officials are emphasising that markets need to be diversified. The government is actively trying to persuade farmers to grow sugarcane, and see a lot of potential in terms of higher yields and larger production area. A lot of new foreign investment took place in the country in the last five years, including a US\$ 360 million Chinese-owned sugar mill, opened in 2016 with a capacity of 360.000 tons of sugar and 50.000 litres of ethanol.

Corn

Corn production in Cambodia was at its highest in 2012, when 950,000 tons were harvested. After that, a rapid fall was experienced by the Ministry of Agriculture, due to the small-scale of farms, fluctuating market prices and lack of modernisation. The government made efforts to increase corn production, which began to rise in 2019 again, with a total output of 715,000 tons. Corn's importance lies in its use as a feed for the growing livestock sector, but on a long term, technological development is needed to keep up with its demand.

Imported Crops

The main crops imported to Cambodia are cereals (about US\$ 32 million), wheat (US\$ 5.6 million), rice (US\$ 4.5 million), and different types of vegetables.

Livestock

Recently trends in Cambodia are that the country's 15 million people are consuming more meat due to rising incomes, which enables rural livestock producers to shift from fulfilling their own needs to trade. Small farmers are creating real businesses from their backyard farms and if the country can maintain the growth momentum here, the livestock sector could be a future success story.

Animal production grew dynamically in the last five years, along with the increase of the meat consumption per capita, which five years ago was only a third of neighbouring Thailand or Malaysia, and rapidly developing export opportunities.

Local production could supply only 81% of the domestic demand in 2018, so the country imported 54,149 tonnes of livestock and meat, including 630,776 live pigs, nearly 4 million live chickens and 2,440 tonnes of other meat and dairy products. The source of this import is the ASEAN region ('normal meat') and South Korea, Australia, and USA ('luxury meat').

Fisheries

Fishing and fisheries are more important in Cambodia than any other country in the ASEAN region, as an estimated 80% of the protein needs of Cambodia's population is fulfilled by fish. According to World Fish, which aims to improve fisheries in developing countries, the average consumption of fish is 63 kg/year per capita. The total production is around 700,000 metric tons in an average year, of which aquaculture contributes one-sixth.

Freshwater fisheries are an essential part of the country's culture and economy, providing employment to 2 million people. Further development goals include:

- Improve productivity of wild fisheries in human modified environments such as rice fields and water supply reservoirs
- Benefit sharing in integrated land and water management
- Joint actions of wetland conservation and small-scale fisheries management, with climate-smart technologies implemented
- New models for aquaculture businesses, medium enterprises that are able to export.

The government expects by 2022 that another 180,000 people, of which at least half are women can exit from poverty by working in fisheries. Additionally, 370,000 hectares of wetland ecosystems can be restored, which can additionally serve as a drive to the developing eco-tourism sector in Cambodia.

Cambodia exports fish, prawns, crabs and other seafood primarily to China, Japan, Russia, and a little to other ASEAN countries. The latter is expected to rise, and experts agree that after the COVID-19 pandemic, intra-ASEAN trade will grow faster than intercontinental sales. The EU has banned fish imports from Cambodia as the country has not reacted sufficiently against illegal fishing by ships sailing under Cambodian flags, and furthermore, has insufficient monitoring, inspection and catch certification schemes.

Niche products

There are some niche products grown, harvested or produced in Cambodia, which are unique on the market, and have an export potential.

"Bird's nest" is a prized and sought-after product in China and Chinese communities throughout Asia. The bird is a species of swift quite common in Cambodia. Bird's nest costs around US\$ 2,000 per kilo, and Cambodia has export potential if local harvesters can meet food-security standards. The potential production is ca. 2.5 tons per month, without threatening the swift population.

There are some rare or unusual animals endemic to Cambodia that could be niche export products. This includes water buffalo and buffalo cheese, crocodile meat and skin, pigeons, and edible insects such as crickets. For these animals, global demand is increasing, and Cambodia could distinguish itself as an exporter of high-quality niche products.

Regulations



Trade with Cambodia became easier and less costly to most of the SMEs in the ASEAN region, as the country is adjusting its regulations to regional standards. According to the World Bank's data, the simple average tariff in Cambodia is 12.45% (9.77% weighted), which is slightly over the Asia-Pacific average, and other duties are not prohibitive for traders as well.

Tariffs and certificate of origin

There are three types of import duties and taxes in Cambodia:

- Customs import duties with an ad-valorem rate
- Special tax for certain goods
- Value-added tax (VAT) with a flat rate of 10%.

Certain products or imports receive special preferential treatment, such as under the ASEAN Free Trade Area, which can include agricultural equipment and inputs, or for example, school materials, or pharmaceutical products.

A Certificate of Origin (C/O), is an official document used to certify that a product is originated, wholly obtained, produced or manufactured in a country. This important part of the import documentation determines the tariff schedule and other regulations (NTM) used by the customs authority, especially in cases where preferential rates or treatment are used. There are therefore two types of C/O-s, non-preferential and preferential. There are several multiple and bilateral trade agreements in force where certificates of origin could be required. Cambodia, besides the ASEAN agreement, has signed treaties with China, Australia and New Zealand, India, Korea, Japan and Vietnam.

Customs procedures

Customs procedures have been simplified and automated in Cambodia in recent years, and the electronic Customs Declaration (called the Single Administration Document – SAD) is going through an automated customs processing system, the ASYCUDA (or Automated System on Customs Data).

The General Department of Customs and Excise of Cambodia has a very informative website (www.customs.gov.kh), where the details of the procedures for importers are explained, for each of the modes of transportation – ship, air or land, as well as the steps for customs clearance. The same information is available for exports from Cambodia.

There are some special procedures in the Cambodian customs regulations:

- Rice export: The Cambodian government has provided a priority procedure for rice exporters, with the highest legally possible facilitation of customs clearance, which may also be extended to other agricultural products.
- Best traders: A promotion programme for highly compliant traders.
There is a list of eligibility criteria on the website www.customs.gov.kh, with conditions including:
 - local legal entity with more than 1,000 million riel registered capital
 - no record of serious customs offence
 - not in debt of customs duties, etc.

Best traders enjoy preferential treatment and simplified customs clearance.

Non-Tariff Measures

While tariffs are reduced throughout the region, non-tariff measures are increasingly used by governments to regulate trade. Cambodia is no exception, and non-tariff measures for imports have a coverage ratio of 83% and frequency ratio of 73%, while exports have 93,5% and 71,6% respectively - all these figures are above the global average. Certainly, the reason behind most of the NTM is the country's desire to regulate trade, but to traders, NTM appear as technical or cost barriers. To put this into perspective, while tariffs account for only 3 % of the total cost in Asia-Pacific countries, NTMs represent 76-78% of total costs.

Agricultural and food products are subject to most of the NTM, such as product certification, labelling and packaging requirements, sanitary and phytosanitary measures, quotas and other quantitative regulations, etc. In Cambodia, there were 96 NTM applicable to vegetables and 68 to live animals, and many other regulations are in force regarding other agri-food products.

Some examples:

Imported live animals, plants and foodstuffs of plant origin should meet the following requirements:

- For live animals, vaccinations are required, the list of which is controlled by the Ministry of Agriculture, Department of Production and Animal Husbandry.
- For plants, a phytosanitary certificate is required, which is regulated by the Plant Protection and Phytosanitary Inspection Department.

It is difficult to list all NTM. For Cambodia, the best source available is Camcontrol (www.camcontrol.gov.kh), a unit of the Ministry of Commerce, which is responsible for standards and the Customs website. Camcontrol's website has information on labelling and packaging requirements.



Market Entry



The first source of trade promotion schemes is the Ministry of Commerce, <https://www.moc.gov.kh/en-us/>

The national trade promotion agency is not a separate government body, but the General Directorate of Trade Promotion under the Ministry of Commerce. The GDTP offers some business development services to local and foreign companies, including:

- Business matching events
- Exhibitions - GDTP hosts one large trade event every year, the One Province One Product Import-Export Exhibition
- Seminars and workshops
- Support for making appointments with companies in Cambodia
- Business environment information services
- Service providers' list in Cambodia for contacts to lawyers, accountants, office rentals, etc.

For more information, contact the General Directorate of Trade Promotion, Ministry of Commerce at Lot 19-61, Russian Federation Blvd, Teuk Thla Village, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Kingdom of Cambodia.

- Contact numbers: 012 600 778/095 929 192/098 332 233/017 555 799/098 842 119 or
- Email: saraysin@yahoo.com / veasna_mao@yahoo.com / vitholt@yahoo.com / vuthakep@yahoo.com / Sokdarith72@gmail.com

Chamber of Commerce and Industry in Cambodia

The national Chamber of Commerce and Industry was established in 1995, and is a voluntary membership-based and non-profit organisation. The Chamber represents all sectors, including agriculture. There are 12 municipal or provincial chambers, making this the widest business network in the country, which may be very useful to foreign companies entering the Cambodian market. More information, and events can be found on the Chamber's website, at www.ccc.org.kh.

Business networking events

There are only a few dedicated events for the agri-food sector in Cambodia, and most of the local traders and producers attend fairs in Bangkok, Ho Chi Minh City and Singapore. The most prominent event in Phnom Penh is the annual Agri Cambodia Fair, which includes Livestock Cambodia.

Recommendations and Trends



The ASPIRE programme

This government initiative targets innovation, resilience and extension in agriculture - hence the acronym ASPIRE. This is a 7-year programme, started in 2015, with a total budget of US\$ 67.7 million. The overall development goal is to reduce poverty and to increase the resilience of around 150,000 smallholder farmers. One of the key objectives is to establish services helping these farmers to reach local and foreign markets with their products. The programme is led by the Ministry of Agriculture, Forestry and Fisheries (MAFF), and traders and investors can also join certain parts of the project.

Investment opportunities

Cambodia's agriculture offers a lot of opportunities to both serious traders and financial investors. Exporters working with local producers can benefit from bringing new varieties of crops or livestock to the country, establishing a strong and reliable source of raw material. Traders can also think about investing in new services targeting their business partners, which could contribute to increasing productivity and reliability of the supply. Larger investors can target more advanced larger farms, or processing facilities like rice mills, slaughterhouses, packaging and canning factories.

Agricultural finance services

Cambodia, at the moment, offers very few financial services designed to the needs of agricultural companies or farmers. Insurances are a critical point, where the lack of adequate services are now a barrier for further growth and inward investments. Larger financial firms and banks are developing products such as weather insurance for crop producers.

Micro-insurance and micro-financing can be the top selling services for farmers in Cambodia, but only a very few players have started their operation in the country so far.

Recommendations to Cambodian and foreign SMEs and traders

Cambodian SME

Most of the newly established micro-, small- or even medium sized agriculture companies have the disadvantage of not having enough information on their potential export markets. In Cambodia, there are too few mature companies that could share experience, knowledge and networks.

More market information and networking options should be provided and initiated by the government's business development bodies, as this area is especially weak in Cambodia. Training and business advisory workshops would also be useful at local level to teach enterprises basic practices.

Foreign traders and investors

Cambodia has huge potential in its agriculture, if the crops grown could be diversified. Foreign companies can play a crucial role in this process, implementing new technologies, bringing new species and varieties. As a small nation with limited other resources than its climate, soil and water, Cambodia should take the difficult but rewarding path of producing niche products, after local demand has been fulfilled.

The other field where foreign investors and market-newcomers can take the lead is to build up the logistics network. This could help local producers as well, and could improve all market possibilities for Cambodian products.