KINGDOM OF CAMBODIA

Ministry of Agriculture, Forestry and Fisheries

CONTRACT FARMING IN CAMBODIA
Contents

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• Agricultural marketing Constraints
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Introduction

- Total area: 181,035.00 km²
- Population: 14,521,276 (2010)
- Population growth rate: 2.2%
- GDP per capita: 790 USD (2010)
- 55% are under 20 years old
- Only 15% live in urban centers
- 73 inhabitants/km²
- 200,000 young people reach employment age each year, mainly in rural areas
## Cambodian National Economic Growth (2011)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture (%)</strong></td>
<td>32.1</td>
<td>33.4</td>
<td>32.8</td>
<td>31.6</td>
<td>30.6</td>
<td>33.5</td>
<td>29.0</td>
<td>28.4</td>
</tr>
<tr>
<td><strong>Industry (%)</strong></td>
<td>25.4</td>
<td>24.6</td>
<td>25.0</td>
<td>25.7</td>
<td>26.2</td>
<td>21.7</td>
<td>28.0</td>
<td>30.5</td>
</tr>
<tr>
<td><strong>Services (%)</strong></td>
<td>42.5</td>
<td>42.1</td>
<td>42.1</td>
<td>42.7</td>
<td>43.2</td>
<td>38.8</td>
<td>43.0</td>
<td>41.1</td>
</tr>
</tbody>
</table>
### Composition by Sub Sector in Agriculture Sector

#### Composition by Sector in Agriculture, 2011

<table>
<thead>
<tr>
<th></th>
<th>Crops</th>
<th>Livestock</th>
<th>Fisheries</th>
<th>Forestry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>50.8%</td>
<td>15.8%</td>
<td>25.9%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2007</td>
<td>52.2%</td>
<td>15.6%</td>
<td>24.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2008</td>
<td>52.7%</td>
<td>15.5%</td>
<td>25%</td>
<td>6.9%</td>
</tr>
<tr>
<td>2009</td>
<td>52.9%</td>
<td>15.3%</td>
<td>25.2%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2010</td>
<td>53.8%</td>
<td>12.8%</td>
<td>27.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2011</td>
<td>54%</td>
<td>15%</td>
<td>25%</td>
<td>6%</td>
</tr>
</tbody>
</table>
## Rice Production

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivated Areas (Ha)</td>
<td>2,585,905</td>
<td>2,615,741</td>
<td>2,719,080</td>
<td>2,795,892</td>
<td>2,968,529</td>
</tr>
<tr>
<td>Harvested Areas (Ha)</td>
<td>2,566,952</td>
<td>2,613,363</td>
<td>2,674,603</td>
<td>2,777,323</td>
<td>2,766,617</td>
</tr>
<tr>
<td>Yield (T/Ha)</td>
<td>2.621</td>
<td>2.746</td>
<td>2.836</td>
<td>2.970</td>
<td>3.173</td>
</tr>
<tr>
<td>Production (MT)</td>
<td>6,727,127</td>
<td>7,175,473</td>
<td>7,585,870</td>
<td>8,249,452</td>
<td>8,779,365</td>
</tr>
<tr>
<td>Rice Surplus (MT)</td>
<td>1,649,640</td>
<td>2,025,033</td>
<td>2,244,598</td>
<td>2,516,752</td>
<td>2,780,328</td>
</tr>
<tr>
<td>Paddy Surplus (MT)</td>
<td>2,577,562</td>
<td>3,164,114</td>
<td>3,507,185</td>
<td>3,932,425</td>
<td>4,344,263</td>
</tr>
</tbody>
</table>
Other Crop Production

<table>
<thead>
<tr>
<th>Commodities</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>108,836</td>
<td>142,391</td>
<td>163,106</td>
<td>206,058</td>
<td>213,622</td>
<td>174,257</td>
</tr>
<tr>
<td>Cassava</td>
<td>97,918</td>
<td>108,122</td>
<td>179,945</td>
<td>160,326</td>
<td>206,226</td>
<td>391,714</td>
</tr>
<tr>
<td>Mung Bean</td>
<td>85,140</td>
<td>65,261</td>
<td>45,605</td>
<td>49,599</td>
<td>69,206</td>
<td>68,111</td>
</tr>
<tr>
<td>Soya bean</td>
<td>75,053</td>
<td>76,981</td>
<td>74,413</td>
<td>96,388</td>
<td>103,198</td>
<td>70,584</td>
</tr>
<tr>
<td><strong>Total 4 main Crops</strong></td>
<td>366,947</td>
<td>392,755</td>
<td>463,069</td>
<td>512,370</td>
<td>592,250</td>
<td>704,666</td>
</tr>
</tbody>
</table>
Crop Marketing Constraints in Cambodia
Crop Marketing Constraints in Cambodia

- Limited domestic demand
- No value addition capture
- No access to market or market channels not known
- Lack of quality incentives and product standards
- Competition with cheap imports (informal cross border trade), especially VN and Thai
- Low reputation of Cambodian products
- No facilitators for market linkage between FOs & Agri-companies
Crop Marketing Situation in Cambodia

Crop Marketing Channel

- Farmers
- Village Collectors
- District Collectors
- Exporters
- Local consumptions

Flow:
- 85-90% from District Collectors to Exporters
- 10-15% from Village Collectors to Farmers
- 10-15% from Local consumptions to Farmers
Crop Marketing Situation in Cambodia

Rice Marketing Channel

- Farmers
  - Village Collectors
  - District Collectors
    - Local consumption & processors
    - Exporters

40-50% as raw materials
50-60% as raw materials
Case study: Structure of the marketing chain from catchment area of Soybean to Vietnam (120Km)

Producers (22,000)

Village middlemen (about 1600)

District middlemen (about 400)

Inter-provincial middlemen (87)

Exporters (4)

Processes in Kampong Cham (26)

Middlemen in Phnom Penh (5)

Main processors in Phnom Penh (31)

Vietnamese traders/buyers

Source: ACIAR organization in Cambodia (2006)
**Case study:** Price of Soybean in the Marketing Chain ($/tonne) along a Trade Route from Bos Knaor commune in Kompong Cham, through Neak Leang in Cambodia, to Taing Chov in Vietnam.

<table>
<thead>
<tr>
<th>Trade route</th>
<th>Average Margin</th>
<th>Transport and fee</th>
<th>Loading, Unloading</th>
<th>Total</th>
<th>Selling Price*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer gate price</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>557</td>
</tr>
<tr>
<td>Village middlemen</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>7</td>
<td>550</td>
</tr>
<tr>
<td>District middlemen</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>7</td>
<td>564</td>
</tr>
<tr>
<td>Inter-provincial middlemen (by route)</td>
<td>5</td>
<td>2.5</td>
<td>2</td>
<td>9.5</td>
<td>573.5</td>
</tr>
<tr>
<td>Exporter in Neak Leang (by route)</td>
<td>5</td>
<td>7</td>
<td>2.5</td>
<td>14.5</td>
<td>588</td>
</tr>
<tr>
<td>Importer in Taing Chov (by boat)</td>
<td>12</td>
<td>15</td>
<td>3</td>
<td>23</td>
<td>611</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32</td>
<td>26.5</td>
<td>9.5</td>
<td>61</td>
<td></td>
</tr>
</tbody>
</table>
Crop Marketing Situation in Cambodia

Price of Cassava Chip (US$/t)


Price: 90, 95, 92, 175, 240, 195, 97
Contract Farming Situation in Cambodia
National Policy Supported CF and Partnerships

- National Strategic Development Plan (2009-2013, para.396)
- Strategy for Agriculture and Water 2010-2013 (SAW 2010, para.116, 301, 308, 313)
- Sub decree on Contract Farming (promulgated Feb, 2011)
- Currently, PM requested to implement the link SLCs programs and ELCs through contract Farming (during addressing at the inauguration of the new building of the MLMUPC, date 9th, Feb, 2012)
Contract Farming Situation in Cambodia

Sub Decree of Contract Farming (SDCF)
Objective of SDCF
(Article 2, Chapter 1)

• Strengthening the responsibility and trust between producing and purchasing parties base upon the principles of equality and justice.

• Ensuring the accuracy of the prices, purchases, and supply of agricultural products, both quantity and quality

• Increase purchasing, processing and exporting of agricultural products

• Contribute to national economic development and people’s poverty reduction pursuance of the policies of the Royal Government
Application (Article3, chapter 1)

This sub-decree has its scope that applies all types of agricultural production business under the contract-based agricultural production.
MAFF to be lead body (article 5, 6, Chapter 1)

Contract Farming

- MAFF shall be the lead institution in communicating, coordinating, and provided expertise services in order to facilitate the contract-based agricultural production development.
- MAFF shall monitor and evaluate all of these functions and reports to RGC.
Establishment of CF Coordination Committee (Article 7, Chapter 2)

Contract Farming

- Producers (Farmers)
- Purchasers (Agribusiness firm)
- CF Coordination Committee (MAFF + 17 Relevant Organizations)
- DAI as its assistant

- Develop policy, strategic plan aim at the promotion of the CF
- To facilitate and strengthen the harmonization between parties to CF
- To intervene or reconcile argument or conflict that might be occurred from the implementation of the CF that expertise institution is unable to settle or conflict which required settlement of the inter-institutions
## Rights and Obligations of Producers & Purchasers

( Article 8,9 , Chapter 3)

### Contract Farming

<table>
<thead>
<tr>
<th>Producers (farmers)</th>
<th>Purchasers (Agribusiness firm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To comply with conditions as inscribed in the agreement</td>
<td></td>
</tr>
<tr>
<td>• To proceed production activities based on seasonal and required timeframe</td>
<td></td>
</tr>
<tr>
<td>• To supply on time, in term of grade, quantity, and quality and due timeline</td>
<td></td>
</tr>
<tr>
<td>• To accept the payment of product value as set in agreement</td>
<td></td>
</tr>
<tr>
<td>• To comply with conditions as inscribed in the agreement</td>
<td></td>
</tr>
<tr>
<td>• To determine the commodity items such as quantity, quality, place, and date of delivery and acceptance of the commodities</td>
<td></td>
</tr>
<tr>
<td>• To provide agricultural materials such as vegetable or crop seeds, animal breeds, and provided credit advance, technical services, etc</td>
<td></td>
</tr>
<tr>
<td>• To pay by specific unit-based products and quality as agreed prices</td>
<td></td>
</tr>
<tr>
<td>• To pay the commodities to producing party as specifying under the conditions and at specific timeframe as agreed upon</td>
<td></td>
</tr>
</tbody>
</table>

### Sub decree on Contract farming
In Conclusion: The SDCF will engage for mutual benefit to both producer and purchaser party.

Contract Farming

Producers
- Inputs and production services are provided
- Access to credit
- Skill and technology transfer
- Assured market outlet
- Stabilized income

Purchasers
- Reliable supply of raw materials
- Overcoming land constraints
- Greater conformity to desired quality and safety standards
- Labor cost/ issues reduced
Department of Agro-Industry, Ministry of Agriculture, Forestry and Fisheries

Thank you for your attention

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