



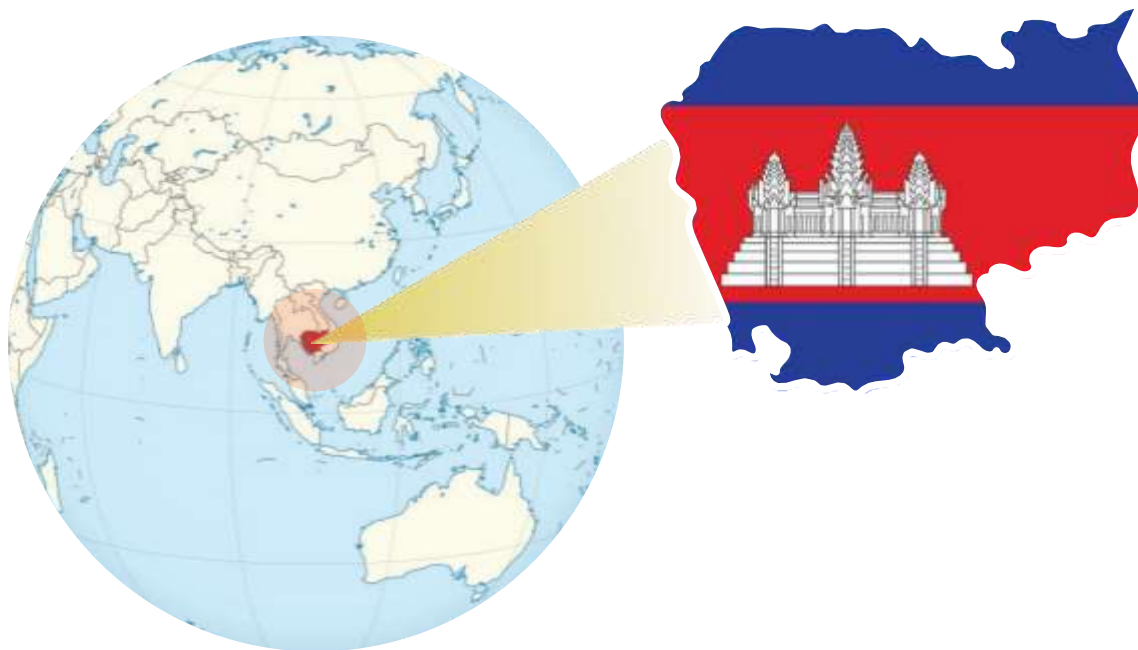
Food and Agriculture
Organization of the
United Nations



Hand-in-Hand
Initiative

CAMBODIA'S AGRICULTURE INVESTMENT FRAMEWORK

Hand-in-Hand Investment Forum
17-20 October 2023, Rome, Italy



1

Why invest in Cambodia?

2

Why invest in agriculture?

3

Business enabling environment.

4

Key value chains for investment.

KEY INFORMATION:



16.7

Total
population
(million)



9.0

Labour
force
(million)



28.5

GDP, 2023
(billion USD)



1,785

GDP per
capita, 2023
(USD)



17.8

Foreign
reserves
(billion USD)



22.2%

Share of
agriculture
to GDP



1. Why invest in Cambodia?

- GDP growth: 7 percent on average over the last 30 years.
- World Bank lower middle-income status in 2015.
- UN LDC graduation in 2027.
- Halved multidimensional poverty over the last 10 years from 36.7% in 2014 to 16.6% in 2022 (UNDP and Oxford University).

Inflation rate:
< 4%

Tourist arrivals:
6 million

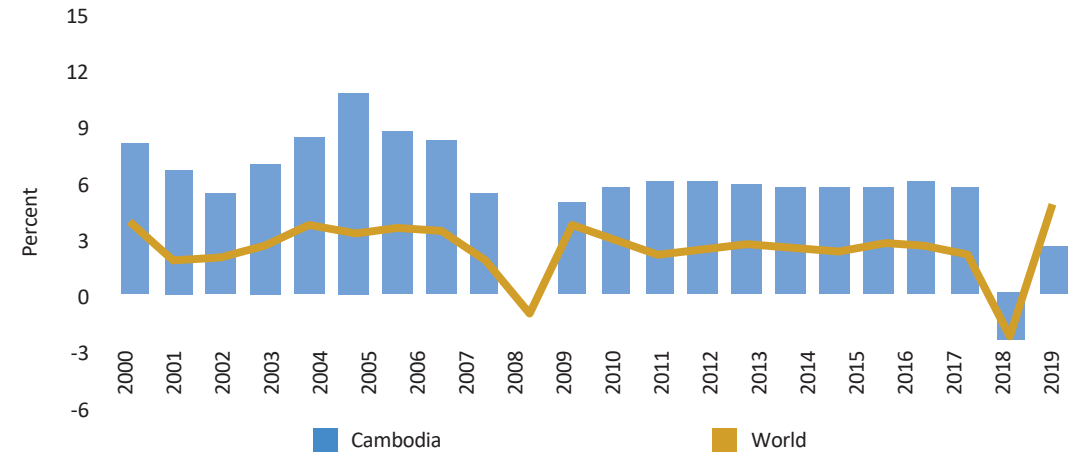
Stable exchange rate:
USD 1 = 4,100 Riel

4G coverage:
80% of the population

Competitive wage:
USD 200 per month

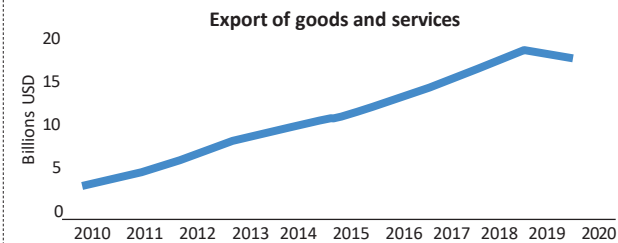
Labour force: > 60%
population < 35 years

GDP has grown rapidly at 7% on average per annum over the last three decades.



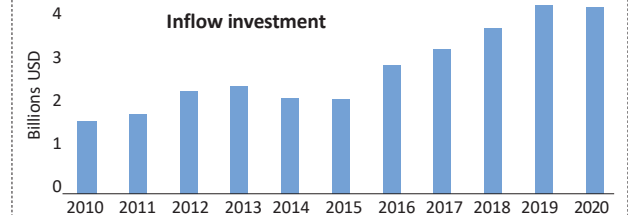
Source: World Bank, 2022

Increased exports of multiple products



Source: World Bank, 2022

Increased foreign direct investment



Source: World Bank, 2022

2. Why invest in agriculture?

1

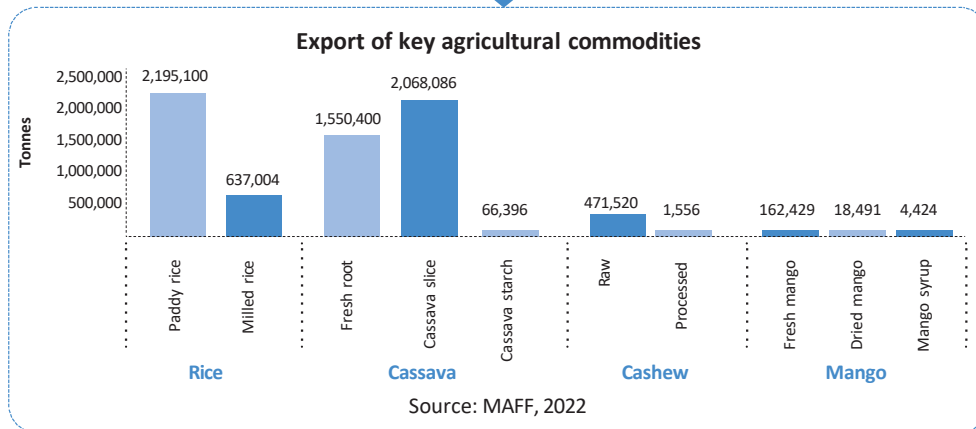
The Royal Government of Cambodia in the 7th mandate has a strong commitment to agriculture development.

Agriculture value chain development is one of the six priorities for the Prime Minister and the Royal Government of Cambodia.

- Improving agriculture value chains.
- Establishing agro-industrial parks.
- Developing supporting infrastructure.
- Reducing electricity costs.
- Promoting the use of renewable energy.
- Enhancing public and private partnership.

2

More than 80 percent of agriculture produce has been exported as raw commodities. There are opportunities for significant value creation.

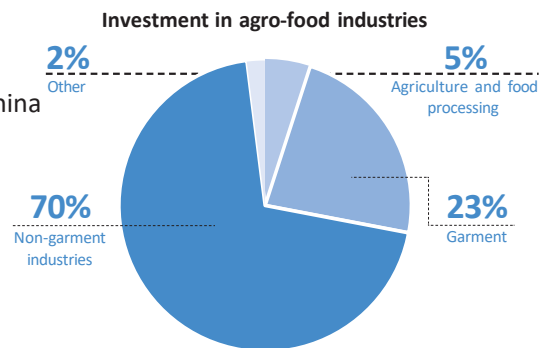


3

Investment in agrifood processing is low. With investment, Cambodia can be a food processing and exporting country to global markets.

Top 10 FDI in Cambodia:

- | | |
|------------|--------------------|
| 1 China | 6 Hong Kong, China |
| 2 Vietnam | 7 USA |
| 3 Thailand | 8 Netherlands |
| 4 Korea | 9 Japan |
| 5 Malaysia | 10 Philippines |



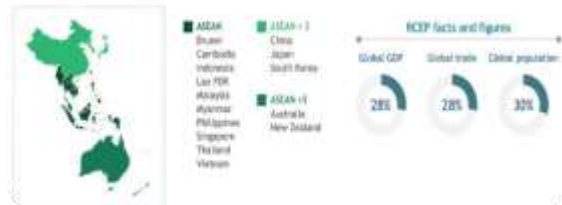
Source: Council for the Development of Cambodia, 2022

3. Business enabling environment

1. Market access

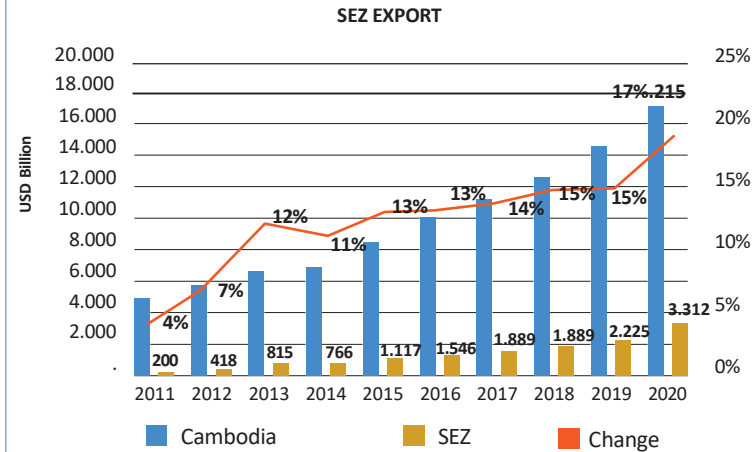
Located in the heart of South East Asia and with preferential free trade agreements, Cambodia has worldwide access to global markets.

RCEP will connect ~30% of world's population and output



2. Special economic zones (SEZ)

A new regime for SEZs connecting the Cambodian agrifood system to markets through land, sea and air.



China will offer a **97.5 percent** reduction and elimination of tariffs.



South Korea will offer a **95 percent** reduction and elimination of tariffs.

3. Fast, prompt and reliable service

Qualified investment projects will be reviewed and approved in 23 working days.



- 4. Cambodia is among the region's most favorable economies for foreign investment** with incentives specifically tailored to support agrifood business.



Key incentives for investors:

- Income tax exemption for up to 9 years.
- Export tax exemption.
- Full import duty tax exemption on construction material, equipment, etc.
- Value-added tax exemption for local inputs.
- 150 percent tax reduction for research and development, employee welfare, etc.

- 5. Supporting private sector development**



- 6. Logistics interim master plan**

332 projects USD 48 billion

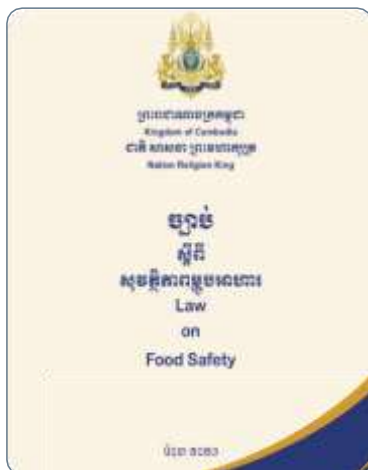
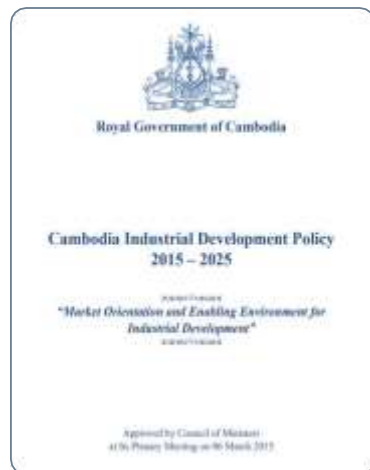
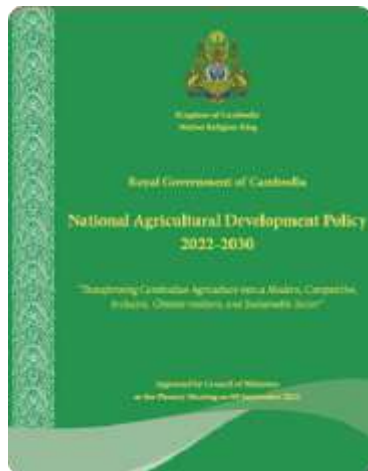


Expressway from Phnom Penh to Preah Sihanouk province.



A newly opened international airport in Siem Reap province.

7. Cambodia has sound legal frameworks



→ Pentagon Strategy 2023-2028

→ Cambodia Digital Economy and Society Framework 2021-2035

→ Cambodia Trade Integration Strategy 2019-2023

→ Cambodia Industrial Development Policy 2015-2030

→ Law on Special Economic Zones

→ Law on Land 2001

→ Law on Investment

→ Law on Intellectual Property

→ Law on Consumer Protection

→ Law on Competition

→ Law on Geographic Indication

→ Law on Agriculture Cooperatives

→ Law on Food Safety

→ Law on Plant Protection and Phytosanitary Measures

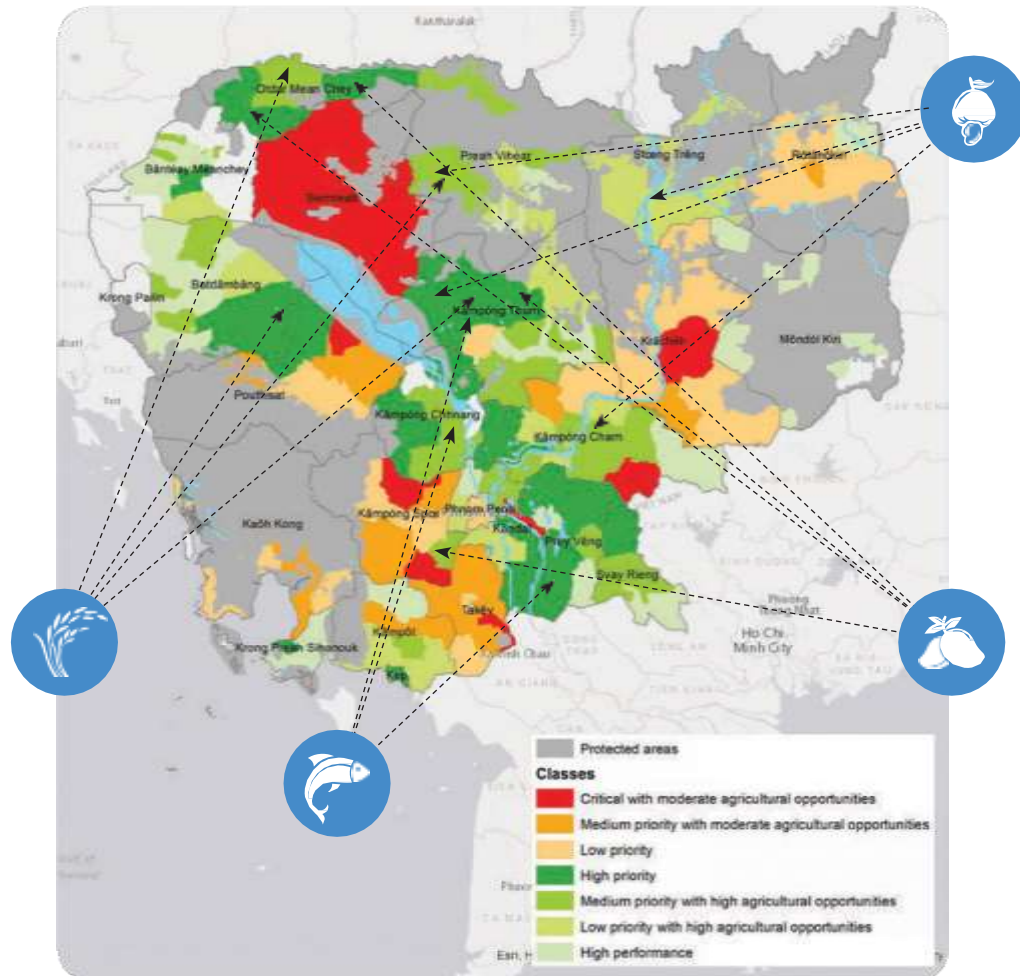
→ Law on Animal Health and Production

→ Law on Fisheries

→ Law on Forestry

→ Law on Environmental Protection and Natural Resource Management

4. Key value chains for investment



Cambodia has premium fragrant varieties, like Phka Rumduol, achieving the World's Best Rice Award five times.

Cambodia has more than 6.3 million tonnes of paddy rice surplus (fragrant and white rice) for export.



Cambodia is the third largest cashew producer in the world.

National variety (M23) provides high yield, a large seed, desirable taste, a golden colour and good nutritional values.



Cambodia is the sixth largest mango producer in the world.

National variety (Keo Romeat) provides high yield, good taste and opportunities for fresh and processed market development.



Cambodians are the largest consumers of freshwater fish per capita in the world.

Increasing domestic aquaculture will reduce dependence on and exploitation of natural resources and open opportunities.



Rice Production and Trade in Cambodia

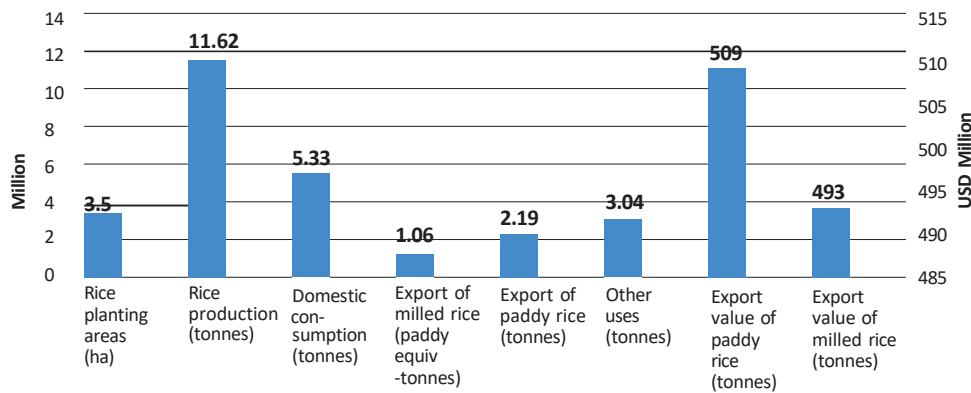


World's Best Rice Award

Premium fragrant variety: Phka Rumduol

2012, 2013, 2014, 2018, 2022

Rice production, consumption and export in Cambodia (2022)

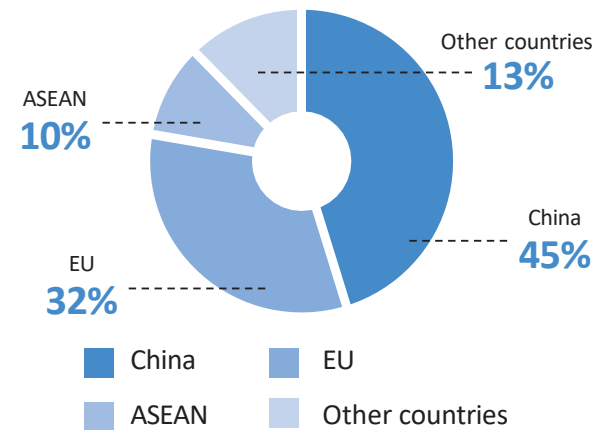


Source: MAFF, 2022

Key facts:

- China signed an MoU with Cambodia for the import of 200,000 tonnes milled rice per annum. Cambodia aims to increase to 400,000 tonnes for MoU 2024 and onwards.
- Indonesia signed an MoU with Cambodia for the import of 1,000,000 tonnes milled rice from 2024 to 2028.

Export destinations of Cambodia's milled rice



Source: MAFF, 2022

Target exports: milled rice





- **Production surplus of 6.3 million tonnes per year.**
- **Government strategy is to increase the export of milled rice by 25% by 2025 from 700,000 to 1 million tonnes.**
- **Government strategy is to promote the production of unique varieties based on geographic indication and standards-based production methods (organic, low carbon emission, wildlife friendly, deforestation-free).**

Investment areas

- Improved climate-smart and sustainable rice production.
- Increased rice storage capacity for preserving paddy rice quality.
- Increased rice milling capacity by using state-of-the-art technologies and circular economies (rice husk gasifier, rice bran oil, rice husk brick, fertilizer, etc.).
- Increase exports to diversified markets by promoting Cambodian rice brands and standards, i.e., Angkor Malis, organic, Ibis Rice, low GI rice, Sustainable Rice Platform.

Investment outcomes

- 20,000 households with improved production capacity.
- 50,000 ha of land with improved production standards.
- 500 extension workers with strengthened capacity.
- 20 rice seed producer groups with improved seed supply.
- 5 additional rice drying centres established and operational.
- 5 additional rice milling factories established and operational.
- Rice trade, branding and logistics system improvement.

Investment outlay

Total investment: USD 183 million

- Public: USD 40 million
- Private: USD 143 million

Budget allocation:

- Production: USD 40 million
- Warehouses: USD 48 million
- Milled rice factories: USD 95 million

Investment feasibility

IRR: 19%

NPV: USD 6 million

Beneficiaries:

Direct beneficiaries: 145,000
Indirect beneficiaries: 868,000

Environmental impact:

432,334 tCO₂-eq/year
USD 19 million

Expected per capita income increase:

USD 358/ha/year

Expected value added of export increase:

USD 253/tonne



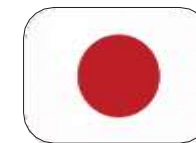
Cashew Production and Trade in Cambodia



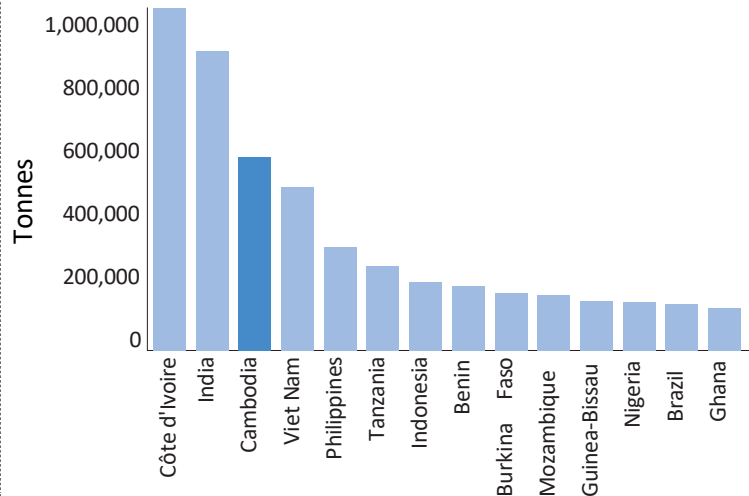
Key facts:

- Cambodia is the 3rd largest cashew producer in the world.
- Presently, 10% of cashew is processed in Cambodia and the remainder is exported unprocessed to neighboring countries.
- The Royal Government of Cambodia is committed to deforestation-free cashew production.

Target exports: processed cashew

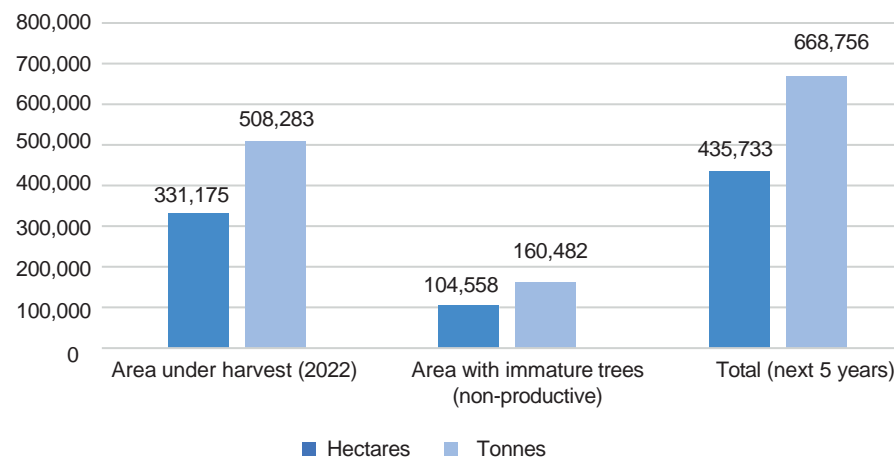


Cashew production globally



Source: FAOSTAT, 2023

Cashew production in Cambodia



Source: MAFF, 2022



- Two to five times the average of global yield per hectare (1.2-3.0 tonnes/ha in Cambodia versus global average 0.6 tonne/ha).
- National seed variety (M23) is high yielding with a large seed preferred by markets, a desirable taste, a golden colour, and good nutritional values.
- Government strategy is to promote production based on geographic indication and standards-based production methods (organic and deforestation-free).

Investment areas

- Improved climate adapted, standards-based and deforestation-free cashew production.
- Increased number of collection centres for drying, sorting and storing high quality cashew.
- Increased cashew processing capability by utilizing state-of-the-art factories and integrating green circular economies such as cashew shell oil and fertilizer production.
- Improved trade facilitation by setting up trade gateways and market access.

Investment outcomes

- 30,000 households with improved production capacities.
- 100,000 ha under sustainable and climate adapted production.
- 300 extension workers with strengthened capacity.
- 100 local collectors trained and operational.
- 5 drying and collection centres established and operational.
- 5 large-scale processing factories established and operational.
- Trade facilitation, product standards, and voluntary industry sustainability standards and benchmarking.

Investment outlay

Total investment: USD 640 million

- Public: USD 50 million
- Private: USD 590 million

Budget allocation:

- Production: USD 50 million
- Warehouses: USD 286 million
- Cashew processing factories: USD 304 million

Investment feasibility

IRR: 24 %

NPV: USD 162 million

Beneficiaries:

Direct beneficiaries: 195,700

Indirect beneficiaries: 1,169,500

Environmental impact:

92,326 tCO₂-eq/year

USD 1.7 million

Expected value added of export increase:

USD 800/tonne

Expected per capita income increase:

USD 503/ha

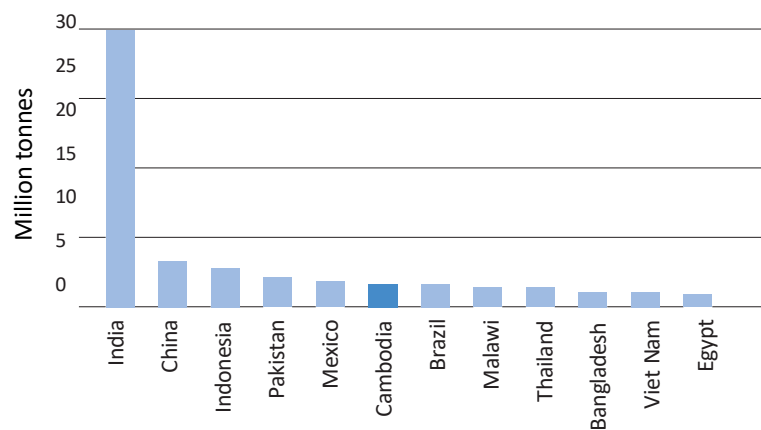


Mango Production and Trade in Cambodia

National variety known: Keo Romeat

- Good for fresh eating
- Good source of sweetener
- Good for drying
- Good for juicing and pulping
- Harvest 2 to 3 times per year

Mango production globally

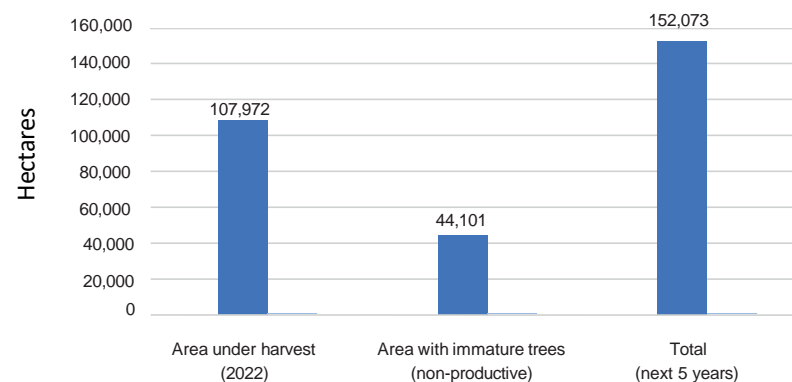


Source: FAOSTAT, 2023

Key facts:

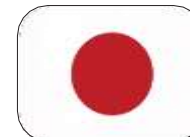
- Cambodia is the 6th largest mango producer in the world.
- Presently, 9% is consumed fresh while 4% is processed in Cambodia and exported. The remaining 87% is exported for fresh consumption and for processing in other countries.
- Sanitary and phytosanitary (SPS) protocols on mango exports with China and South Korea are in place.
- Opportunities for Geographic Indications, deforestation-free, GAP and organic production.

Mango production in Cambodia



Source: MAFF, 2022

Target exports: fresh and processed mangoes





- Unique national variety (Keo Romeat) has a yield (12 tonnes/ha) that is 60% greater than the global average (7.2 tonnes/ha).
- Production scale and year-round production (2 to 3 harvests per year) is suitable for large-scale processing factories.
- Increased export opportunities for fresh fruit and processed products, such as dried, pulped, juiced and canned mangoes.

Investment areas

- Improved climate-smart and deforestation-free mango production.
- Increased vapour and water treatment operations to meet SPS requirements for fresh mango exports.
- Increased mango processing operations to meet international export standards.
- Strengthen the government's SPS system to enable increased export.

Investment outcomes

- 20,000 households with improved production capacities.
- 60,000 ha under sustainable and climate adapted production.
- 300 extension workers with strengthened capacity.
- 5 vapour or heat treatment centres established and operational.
- 5 large-scale processing factories established and operational.
- 3 export gateways established and operational.
- SPS system improvement, trade facilitation, product standards, and voluntary industry sustainability standards and benchmarking.

Investment outlay

Total investment: USD 295 million

- Public: USD 30 million
- Private: USD 265 million

Budget allocation:

- Production: USD 30 million
- Warehouses: USD 116 million
- Mango processing factories: USD 149 million

Investment feasibility

IRR: 18%

NPV: USD 9 million

Beneficiaries:

Direct beneficiaries: 133,650

Indirect beneficiaries: 874,250

Environmental impact:

38,479 tCO₂-eq/year

USD 1.7 million

Expected per capita income increase:

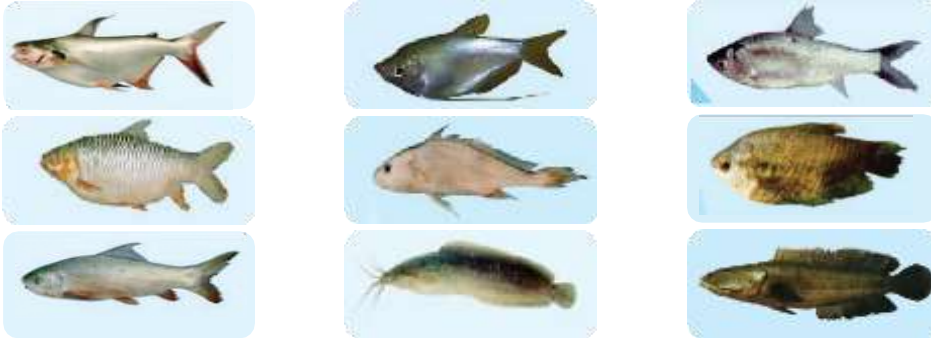
USD 213/ha

Expected value added of export increase:

USD 131/tonne



Aquaculture Production and Trade in Cambodia



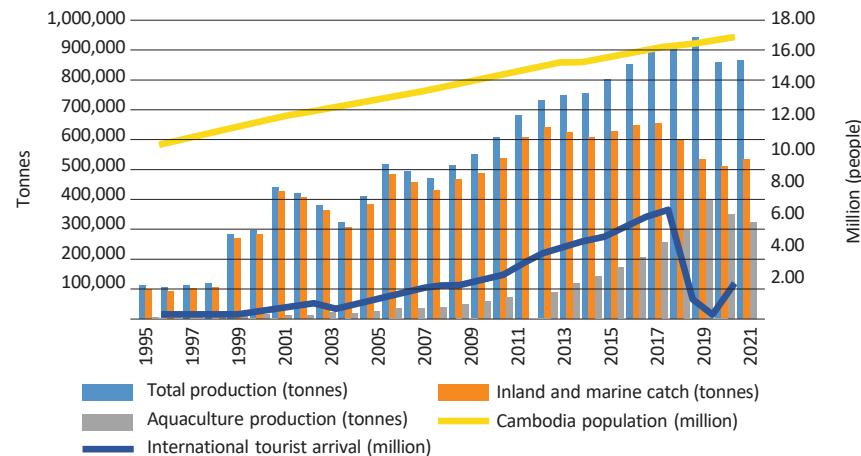
Key facts:

- Cambodia harvests approximately 900,000 tonnes of fish per year. On a per capita basis, Cambodia produces and consumes more fish than any other country globally.
- 47% is wild capture and 38% is farmed freshwater aquaculture (ponds, rivers and lakes). The remaining 14% is marine capture in coastal areas.
- Fish accounts for about 75% of animal protein intake in Cambodia.
- Opportunities exist for increased aquaculture production with climate mitigating and sustainable production standards.

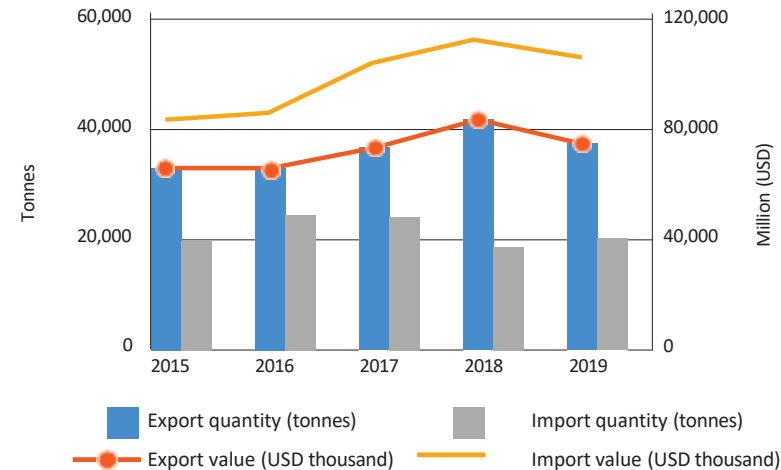
Target exports: live and processed fish



Fish catch, aquaculture and demand in Cambodia



Export and import of fishery products in Cambodia





- Increase domestic freshwater aquaculture production for fish import substitution and for increased export opportunities.
- Landscape and water availability well suited for aquaculture production and feed production opportunities.
- Numerous high-value fish/crustacean species with significant potential for aquaculture production.

Investment areas

- Promote competitive species with high export value and domestic favourability.
- Improve seed, hatchery and fingerling distribution systems.
- Establish efficient fish feed processing plants via agricultural backward linkages.
- Increase and expand current and new aquaculture farms to reach commercial scales and meet SPS standards.
- Establish commercial scale fish processing companies for domestic and export markets.

Investment outcomes

- 2,000 households with improved aquaculture activities.
- 2,000 aquaculture farms improved or established.
- 100 hatchery farms established and operational.
- 200 technical officials with strengthened capacity, including SPS.
- 1 fish feed production plant established and operational.
- 2 large-scale fish processing factories established and operational.
- 2 aquaculture research and development centres strengthened.

Investment outlay

Total investment: USD 135 million

- Public: USD 20 million
- Private: USD 115 million

Budget allocation:

- Seed system, research, training, technology transfer: USD 20 million
- Feed processing factories: USD 30 million
- Commercial fish farms: USD 20 million
- Fish processing factories: USD 65 million

Investment feasibility

IRR: 20%

NPV: USD 7 million

Beneficiaries:

Direct beneficiaries: 45,000

Indirect beneficiaries: 819,875

Environmental impact:

552,210 tCO₂-eq/year

USD 24 million

Expected per capita income increase:

USD 9,652/farm/year

Expected value added of export increase:

USD 433/tonne

Overview of Public, Partner and Private Investment Partnerships

- MAFF annual programme and subprogramme budget = USD 44 million (2023)
- Partner ongoing investment (public and private sectors) = USD 1,700 million (2017-2029)
- Partner pipeline investment (public and private sectors) = USD 822 million (2022-2030)

HIHI Public, Partner and Private Investment		Rice	Cashew	Mango	Aquaculture	Total
	Public and Partner Investment	USD 40 million	USD 50 million	USD 30 million	USD 20 million	USD 140 million
	Private and Partner Investment	USD 143 million	USD 590 million	USD 265 million	USD 115 million	USD 1,113 million
	HIHI Total Investment	USD 183 million	USD 640 million	USD 295 million	USD 135 million	USD 1,253 million

Partners:

- FAO, IFAD, UN system, AIIB, ADB, World Bank, IFC, IFAD, DFAT-Australia, EU, AFD, USAID, GCF, GEF, JICA, GIZ.
- China: Fish and Rice Corridor Project.

Private investors:

- Danong Agriculture Development Group Co.Ltd.
- Guangxi Heng Baofeng Agriculture Development Co.Ltd.



Hand-in-Hand Investment Plan

SUMMARY

USD 1,253 M
Investment cost

~20.2%
Average IRR

USD 180 M
NPV

~ 4.2 M
Beneficiaries

~1.1 MtCO₂-eq/year
Emission Reduction

Investment Case 1



Cost (USD):

~183 M

IRR (%):

19%

NPV:

~6 M

Sustainability Benefits

Beneficiaries: ~1 million

Income increase per ha:

~USD 358/year

Emission reduction:

~432,334 tCO₂-eq/year

Investment Case 2



Cost (USD):

~640 M

IRR (%):

24%

NPV:

~162 M

Sustainability Benefits

Beneficiaries: ~1.3 million

Income increase per ha:

~USD 503/year

Emission reduction:

~92,326 tCO₂-eq/year

Investment Case 3



Cost (USD):

~295 M

IRR (%):

18%

NPV:

~5 M

Sustainability Benefits

Beneficiaries: ~1 million

Income increase per ha:

~USD 231/year

Emission reduction:

~38,479 tCO₂-eq/year

Investment Case 4



Cost (USD):

~135 M

IRR (%):

20%

NPV:

~7 M

Sustainability Benefits

Beneficiaries: ~0.9 million

Income increase per farm:

~USD 9,652/year

Emission reduction:

~552,210 tCO₂-eq/year