

# THE SUPPORT TO THE COMMERCIALIZATION OF **CAMBODIAN RICE** PROJECT

SCCRP Project Presentation Note – July 2015



The Support to the Commercialization of Cambodian Rice Project (SCCRP) is funded by the *Agence Française de Développement* (AFD – French Agency for Development) for an initial period of 3 years (January 2013 to December 2015), now considered to be extended. Its purpose is to contribute to support the implementation of the National Strategy of Promotion of Paddy Production and Rice Exports approved by the Council of Ministers in July 2010, with an objective of maximization of the added value and of the share of this added value reaching producers as a part of the overall goal of rural poverty alleviation.

The Supreme National Economic Council (SNEC) has been entrusted as the coordination agency for the implementation of this project, which involves various public and private stakeholders.

The project is divided in four technical components, with respectively the following main objectives:

1. Contribute to the organization of the sector (inter-ministerial coordination, public/private partnership, professional and inter-professional organization);
2. Establish quality standards or labels to differentiate Cambodian rice add value, and contribute to its promotion;
3. Promote the involvement of Farmer Organizations as commercial stakeholders in the value chain, via Contract Farming and other business models, and support background policies and regulations to favor this involvement of FOs;
4. Upgrade the Rural Development Bank, contribute to its reform in order to develop its capacities to answer the financial requirements of millers and farmers.

### **Cambodian Rice Federation**, an inter-professional organization in the rice sector

The SCCRP project has initially supported the Federation of Cambodian Rice Exporters from mid-2013 until early 2014, in order to build its operational capacities and initiate a structural reform toward an inter-professional structure, with a consolidated ownership of its members.

#### **Promoting representativeness in a unified rice sector organization**

Then, since early 2014, the Ministry of Commerce has encouraged a merging of the three existing organizations of the rice sector. SNEC and SCCRP project team took part in this process which led to the creation of the Cambodian Rice Federation (CRF), and contributed notably to ensure a representation of Farmer Organizations in the Federation. This representation was consolidated in February 2015 with a revision of the bylaws of the Cambodian Rice Federations, guaranteeing a representation of Farmers in the Board.

#### **Feeding the reflection on the structure and governance**

In October 2014, SCCRP took the initiative of an exposure visit of some leaders and members of the Cambodian Rice Federation to “*Intervéales*” the inter-professional organization of cereal sector in Paris, France, gathering professional organizations of producers, traders and processing industry.

#### **Associating CRF in policy discussions and public-private partnerships**

Further partnership with CRF are considered, notably to review and up-date the Cambodian Rice policy or to take part in the development of policies and regulations on Contract Farming.

Moreover, the project team is working with specific Executive Committees of CRF on actions such as the branding of Cambodian Jasmine Rice.

### Consolidating National **Federations of Farmer Organizations**

The SCCRP project is supporting Federations of Farmer Organizations such as the Federation of farmer associations promoting family Agriculture Enterprises in Cambodia (FAEC), the Federation of Cambodian Farmer Organizations for Development (FCFD), and, to some extent, the Farmer and Water Net (FWN) in order to support the development of services and consolidate their advocacy role.

#### **Development of services**

In the frame of this support, FO Federations are currently exploring and testing the provision of services to their members related to input supply (negotiation of wholesale price for purchase via Federations), paddy commercialization

(commercial contacts with rice millers) or access to finance for FOs.

#### **Advocacy and representation**

FO Federations are also developing their role of representation of smallholder farmers' interests. They organized consultation with their members and provided constructive inputs to the Ministry of Agriculture, Forestry and Fisheries (MAFF) on the draft legal framework on Cooperative Unions. FAEC, FCFD and FWN are also involved in the Cambodian Rice Federation. They are notably members of the Farming and Milling Productivity Executive Committee, and FCFD vice-chairman is a member of CRF Board of Directors.

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## Component 2: **Quality Label, Certification and Promotion** of Cambodian Jasmine Rice

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### International **Rice Market Study**

The SCCRP project and the International Finance Corporation (IFC) have jointly financed an international study on the potential of Cambodian Rice on International Markets. After a first overview phase, 6 target countries were selected for

deeper in-country study: USA, France, Germany, China, Singapore and Ivory Coast.

Outcomes were presented and discussed in a workshop organized with the Cambodian Rice Federation in September 2014.

### Contribution to **Cambodian Rice Export Promotion**

#### **Promotion actions in France**



SCCRP project organized (in partnership with the French Cambodian Chamber of Commerce) a promotion dinner in Paris in the

prestigious restaurant “*Le Carré des Feuillants*” and contributed with IFC to the participation of Cambodian Rice exporters in SIAL

(“*Salon International de l’Agroalimentaire*”) in Paris in October 2014.

#### **Cambodian Rice Festival**

The SCCRP project was also a main contributor in the organization of the 2<sup>nd</sup> Cambodian Rice Festival in November 2014, which was a big opportunity to showcase Cambodian Rice toward the rice trade community since the Festival took place in Phnom Penh Sofitel Hotel the day before the World Rice Conference 2014.



## Toward a **National Brand** for Cambodian Jasmine Rice

The SCCRP project provides assistance to CRF's Global Market Promotion Executive Committee in the process of development of a collective brand for Cambodian premium Jasmine Rice. A joint roadmap has been developed with CRF to coordinate and ensure coherence in respective contributions of SCCRP and IFC projects.

SCCRP project will in particular mobilize consultant to develop the mechanisms for the

verification of compliance of products and processes with the requirements of the collective trademark. The collective trademark is expected to be used as a seal of quality and a tool to build and consolidate the identity of Cambodian Jasmine Rice toward consumers in export market countries.



## Cambodian Rice **Organic certification**



In relation with contract farming agreements supported under Component #3 (see below), the SCCRP project is contributing to the development of Internal Control Systems within Agricultural Cooperatives as a prerequisite to obtain organic certification

(notably for EU and USA organic standards).

In 2014, 1,500 tons of paddy produced by 8 Cooperatives in Preah Vihear province have been certified and delivered to the cooperatives' partner, one of the top-5 Cambodian rice exporter. The certification has generated a significant premium for producers (estimated to + 65,000 USD compared to the farm-gate price that would have been obtained by farmers for the same volumes of conventional paddy) and it opened new market opportunities for the exporter. This program is under consolidation in 2015 in order to ensure the sustainability of the certification and organic paddy supply chain.



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## Component 3: Promotion of **Contract Farming** and Enhancement of the Involvement of **Farmer Organizations in Paddy Collecting and Marketing**

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### Involvement of Farmer Organization in paddy commercialization: The **Paddy Selling Group** model

The “Paddy Selling Group” model simply consist in supporting Farmer Organizations (or groups of farmers within such an organization) to gather and sell together batches of paddy of consistent quality and volumes large enough to interest rice millers. Farmers can collectively negotiate prices with rice millers (or exporters) and make sure the quality of the paddy they produced is valued at its right price. Objectives are to increase farmers’ incomes, but also to ensure a fair valuation of paddy, in order to reward and encourage further efforts of farmers on quality. To date, this model has mainly been

implemented by groups of farmers involved in Farmer Water Users Communities (FWUCs), building on the advantages of FWUC’s large scale (compared to many other types of Farmer Organizations), access to irrigation, and on the information FWUCs gather on cropping calendars inside the irrigation schemes they manage.

From 1<sup>st</sup> May 2014 to 15<sup>th</sup> April 2015, 8 “Paddy Selling Groups” have supplied a total of more than 6,000 tons of paddy (of various types) to their client, for a total value of 1.53 million Dollars US.



## Pilot operations of Contract Farming between millers/exporters and Farmer Organizations

In partnership with MAFF services (Department of Agro-Industry and Department of Agriculture Cooperative Promotion) the SCCRP project encourages and facilitates the development of commercial partnership between Rice millers or exporters and Farmer Organizations via the signature of Contract Farming agreements.

In 2014, 17 contracts were signed, involving 16 Farmer Organizations (mainly Agricultural Cooperatives) and 4 rice millers or exporters, in various provinces of Cambodia.

Results were generally very encouraging (yet quite variable from one case to another). As it could be anticipated, contract farming does not bring added value if the purpose is to supply the same paddy that farmers are already able to supply, at the same price. But it can be a truly win-win model if it leads to the production of a specific product, which millers cannot find easily from a local collector, or which farmers would not be able to produce unless there is either the technical support or the market security provided within the contract.



Most successful cases to date are contracts signed for the supply of Organic Paddy (see above) and contracts signed to support the introduction of a variety that has a true advantage for farmers (e.g. a fragrant rice variety that can be substituted in farmers cropping calendar to a short cycle, non-photoperiodic long grain white rice).

Moreover, because of the experimental stage, a number of these contracts were very small in term of number of farmers engaged and volumes. This also limits the relevance of the model, as Contract Farming generates more transaction costs and can bring benefit only if a significant scale is reached.



## Supporting the Ministry of Agriculture Forestry and Fisheries on the development of **Policies, Regulations and Guidelines for Contract Farming**

Building on lessons from pilot experiences, SNEC, via the SCCRP project, wishes to support the development of Policies, Regulations and Guidelines for Contract Farming in Cambodia.

The proposed approach intends to take into consideration the expectations and concerns of economic stakeholders, from the early stage of this process, in order to elaborate policies and regulations that can contribute to achieve the objectives of sector development and competitiveness of Cambodian Agriculture.

A dedicated “Taskforce” has been established on this subject, co-chaired by the Supreme National Economic Council and by the Department of Agro-Industry, and gathering other public institutions such as Ministry of Commerce and Ministry of Justice, as well as representatives of economic stakeholders and experts.



A workshop to share lessons from experiences and gather inputs from economic stakeholders is scheduled in July 2015. It is foreseen as an important early step in the process, since the project intend to use economic stakeholders’ inputs as a starting point to drive the reflection, in order to develop a framework that can truly address needs and expectations of farmers and businesses.

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## Component 4: Up-grading the **Rural Development Bank** and promoting credit to Farmer Organizations

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### Up-grading the **Rural Development Bank**

The project is providing technical assistance to the Rural Development Bank (RDB) in order to contribute to its reform process engaged with a strong backstopping of the Ministry of Economy and Finance.

Very significant changes occurred in RDB in 2014: a new Board of Director and a new CEO have been appointed. The organization chart has been updated, the Credit Department was restructured, and the Ministry of Economy and Finance has injected approximately + \$26 million to increase RDB capital.

In term of policy, the first meeting of the new Board of Directors, on 1<sup>st</sup> September 2014, has recalled the mission of the Rural Development Bank as an instrument to contribute to the implementation of policy objectives and confirmed its pioneer role to ease the development of new sector and stakeholders that are not yet seen as a mature market by commercial financial institutions.

Reforms engaged are expected to improve RDB compliance with international standards, allowing the bank to pull and mobilize more resources to serve the Cambodian agriculture sector.

## Developing **Credit mechanisms** dedicated to **Farmer Organizations**

The development of Farmer Organizations (in particular Agricultural Cooperatives) as economic stakeholders commercially active in value chain is an important orientation of Cambodia's agriculture development policies. Yet, this might remain a wishful thinking unless FOs' difficulties to access finance are addressed (a major bottleneck for the time being). SCCRP project has advocated for a

voluntarist action of the Rural Development Bank in this field, coherent with its policy-driven orientation and pioneer role.

RDB Board has confirmed its intention in this regard, and the project is now working on the technicalities with RDB, in partnership with the Federations of FOs.



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