

RICE VALUE CHAIN DEVELOPMENT THROUGH ENGAGEMENT OF PRIVATE SECTOR

Case Cambodia



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1. Historically, what were the key factors that made industrialization of the rice sector in Cambodia happen, transforming it from production for self-consumption and local consumption to production targeting urban and foreign markets?
2. What made it possible for Cambodia to upgrade its milling sector very rapidly in early 2010s?
3. What roles have both, private, public sectors and development partners been playing in the industrialization of rice value chain in Cambodia?
4. What are the *useful lessons learned* by implementing the project in Cambodia that IFC later used in other countries, such as Myanmar and Vietnam?

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History & Background

Cambodia was always endowed with land and climate favourable to rice production. However it suffered in modern history. Post 1993 the Cambodian rice sector was recovering from decades of civil unrest, political upheaval, and bad economic policy.

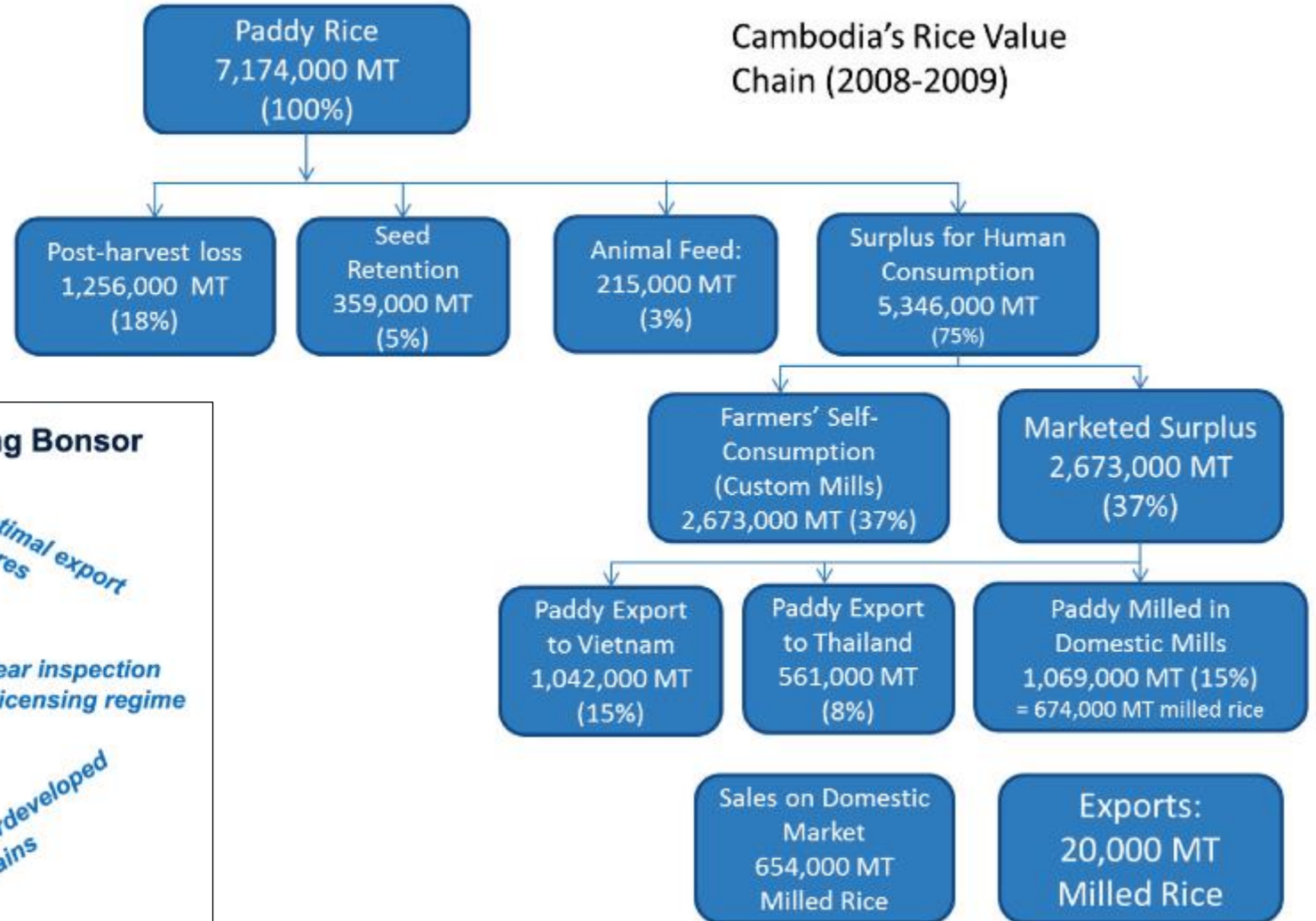
- ❖ New policy, rural producers resume rice production under more normal conditions.
- ❖ Mid-1990 Cambodia **regained self-sufficiency** in rice.
- ❖ In 2000, production grew to 4 million metric tons (MT) of paddy rice, and reached by 2008 over 7 million MT.

Rice Sector Conditions 2008/2009 - Deficits (“market failures”) are Opportunities

- ❖ Historically, most paddy rice crop went unprocessed to neighbouring Vietnam and Thailand.
- ❖ **Processing in Cambodia poor**, only small amounts (<20k) exported as milled rice. (THA and VNM export millions MT).
- ❖ **Economic and political uncertainties** in Cambodia had restricted interest in investing in modern rice mills.
- ❖ High post-harvest losses (>18 percent), seed retention; small and antiquated “custom” mills.
- ❖ **Mills constrained** by **low levels of milling technology**, a **lack of working capital**, **low-quality paddy**, and a **lack of drying and storage facilities**. **Post harvest losses** from 20 to 50 percent, **milling losses** as high as 30 percent.
- ❖ The commercial mills varied greatly in size, from processing capacities less than 1 MT/h up to 30 MT/h. **Collective processing capacity** (2009) of large commercial mills **only about 100 MT/h**.

➤ **Serious Issues: poor seeds (paddy), post-harvest losses, low-quality paddy, substandard processing, no pro-active exports.**

HISTORICAL BACKGROUND



Typical SME Constraints, A case of Mr. Seng Bonsor



Old, inadequate milling technology

Sub-optimal export procedures

Unclear inspection and licensing regime

Weak, underdeveloped supply chains

Lack of market information

Limited access to finance

High operating costs

TRIGGERS AND ENABLERS THAT MADE IT HAPPEN



What made it possible for Cambodia to upgrade its milling sector very rapidly in early 2010s?

- ❖ **2009:** The **European Union** included milled rice under its Everything But Arms (EBA) system of preferential duties for least developed countries. **Cambodian rice exporters gained duty-free access to the EU** market. A **significant 30- 40 % tariff advantage** over neighbouring Vietnam and Thailand. This **encouraged investing in the rice processing sector** in Cambodia.
- ❖ **2010:** The **Cambodian government's policy paper on the promotion of paddy production and rice export**. Declared objectives were to increase paddy production (yields), raise rice milling to international standards, and to gain export markets for milled rice. **Specific targets** for 2015 were a paddy surplus of > 4 million tons/a, and **milled rice exports of one million tons**. This was accompanied by **policy reforms and easing of regulations** by the government: the **liberalisation of rice trade and the removal of export quotas** opened new market opportunities for Cambodian rice, both domestically and internationally
- ❖ **Investments in improved milling capacity** also fuelled **increase in exports (and vice versa)**, helped by the duty-free EU access.
- ❖ **Support** from numerous **International Donors**.
- ❖ However, the milling sector still faced a number of serious challenges (making them triggers too):
 - ❖ The **quality and productivity** of rice production needed to improve and grow, starting at the farm (with seeds).
 - ❖ Millers were saddled with very **high electricity prices** compared to competing countries,
 - ❖ as well as with lower **output efficiency** and high logistical costs (e.g., port costs, transport costs, informal fees).
 - ❖ A **need for public and private investment** in improved logistics and better storage for paddy rice, improved **access to finance** and stronger **food safety** regulations.

ENABLERS THAT MADE IT HAPPEN_(continued)



What made it possible for Cambodia to upgrade its milling sector very rapidly in early 2010s?

Interventions and their strategic approaches

- ❖ **Market-driven Holistic** Rice Value Chain Development (from seed to shelf, from farm to fork, and back).
- ❖ **Improving linkages** between **seed growers, farmers, processors, traders, exporters, and off-takers.**
- ❖ **Lead Firm** Approach (engaging and building private sector champions, leading to demonstration impact).
- ❖ **Focus** on three **interlinked key levels** of engagement: Grower ↔ Processor ↔ Market (customer, consumer).
(*“Farm ↔ Firm ↔ Fork”*).
- ❖ **Sector level facilitation & support** included capacity building (incl. curricula), access to **finance**, product **standard specifications, food safety** advisory and certification, group formation, support to **association** building, public-private collaboration, national motivation (Rice Festivals), **linkages to global rice trade** and price monitoring organisations, etc.
- ❖ **Support from development partners**, such as ADB, IFC/WB, FAO, IRRI, and others, providing **technical assistance, financing, and capacity building** for various stakeholders in the rice sector, such as farmers, millers, exporters, associations, and government agencies.

ROLES OF PRIVATE & PUBLIC SECTORS, & DEVELOPMENT PARTNERS IN THE INDUSTRIALIZATION OF THE RICE VALUE CHAIN IN CAMBODIA



- ❖ **Private Sector:** highly committed, participated readily in development interventions, contributed, invested time and money, co-created and carried the momentum.
- ❖ **Public Sector:** the government's strategic directions, easing regulations, encouraged the private sector. Institutional support and collaboration by CARDI, MAFF, MIH, MOC, SNEC.
- ❖ **Development Partners** such as ADB, AFD, IFC/WB, FAO, IRRI, & NGOs, made valuable contributions to the industrialisation. Provided technical assistance, training, and research support. Helped introduce new rice varieties, improving farming techniques, and facilitated knowledge exchange. Also provided financial assistance for infrastructure development and capacity-building for various rice value chain stakeholders.
- ❖ **Industry Associations** had to be formed and their capacities built for effective operation, advocacy, and the all important sustainability of membership organisations.
- ❖ **Agricultural Cooperatives:** helped in disseminating new agricultural techniques and technologies among their members. Playing an important role in aggregation of supplies from smallholders, facilitate collective bargaining, important partners in reaching large numbers of farmers for interventions in development.

DECISIVE PROJECT INITIATIVES AND INTERVENTIONS



IFC implemented projects, interventions

- ❖ Against the backdrop of 2008/09, the International Finance Corporation (IFC) identified a need for assistance in the agricultural sector and initiated the **Supply Chain Linkages (SCL) Cambodia Agri Sector Support Project**.
- ❖ Broad overall objectives: improving **operational efficiency** of agri processors in Cambodia **by investing in new technology**; developing **product standards**; developing **improved infrastructure**, such as storage facilities; **working with farmers on product quality**; and linking the supply chain to **sources of debt finance**.
- ❖ The success of the original 19 client **mills who upgraded their processing equipment** encouraged many more mills to join the project (**demonstration impact**). At the end of the first project, more than **100 mills and exporters had benefited** (70 % of Cambodia's milled rice exports). Equipment upgrades made it possible for mills to pursue Good Management Practice (GMP), Hazard Analysis, Critical Control Point (HACCP), and ISO 22000 food safety certification.
- ❖ Many export markets requiring **food safety** and **quality certifications**, advisory in this space became about the most requested services under the **second project with the Cambodian rice sector (RSSP)**.
- ❖ The success of the Agri Sector project with rice mills, coupled with expanding rice production and exports, led to the IFC implemented **Cambodian Rice Sector Support Project (RSSP)**.
- ❖ This second project (RSSP) involved more SME rice millers and covered many more elements, such as **quality-seed multiplication, food safety, and rice export promotion**.

THE 'CAMBODIA RICE SECTOR SUPPORT PROJECT' (RSSP): 2012-2016



- ❖ In line with the government's Rectangular Strategy and its 2010 policy on the Promotion of Paddy Production and Export of Milled Rice, addressing market failures within Cambodia's rice supply chain.
- ❖ The RSSP project was highly relevant for the emerging agro enterprises in Cambodia to grow the high-quality milled rice export sector and implement the Rice Policy at firm and farm level.

Baseline findings: Three interrelated market failures.

1. Lack of access to improved planting seeds.
2. Lack of knowledge in milling efficiency and output quality.
3. Lack of export strategy in place.



The Response: Three project components to jointly support the transformation.

3. Export strategy to promote high-quality, high-value fragrant rice to global markets.
2. To meet market expectations, work at mill level to improve food safety & product quality.
1. To meet markets' and mills' needs, work at farm level to improve the seed and paddy quality.



RSSP INTERVENTIONS ON FARM, FIRM, MARKET, & SECTOR LEVELS



Farm:

Access to **improved rice seeds** and building farmers' capacity:

- ❖ Seed multiplication collaborating with rice millers/exporters.
- ❖ Weekly radio program.
- ❖ Interactive Voice Response System.
- ❖ Sustainable rice cultivation via Sustainable Rice Platform (SRP).



Market & Sector:

- ❖ **Export Promotional material.**
Cambodian Rice Exporters Compendium.
Cambodian Rice Export Portfolio.
Cambodian Rice Price Index.
- ❖ **National Cambodian rice brand and Quality Seal.**



Before



After

Collective modern milling capacity increase 100 - 700 MT/h.
Gain of 5% in the recovery rate from paddy to milled rice.



- ❖ Rice exporters - capacity building.
Group formation.
Industry association.

- ❖ **Cambodian Milled Rice Standard** (first modern after 1956).

- ❖ **Food Safety Certifications** promotion.



Firm:

- ❖ Rice mill **management software.**
- ❖ Technical advisory on **milling operation and equipment.**
- ❖ **Operational** and **Food Safety certifications**, beyond GMP, HACCP, OHS, ISO 22000.
- ❖ Gap analysis, advisory, followed by third-party certification.

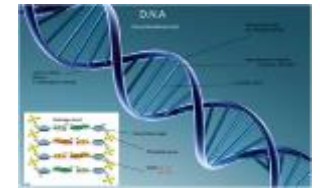


- ❖ **Cambodian Rice Export Strategy**
- ❖ International trade shows & conferences
- ❖ Guided export market missions.
- ❖ **New markets, growth of exports**

GROUND-BREAKING SECTOR LEVEL INTERVENTIONS AND RESULTS

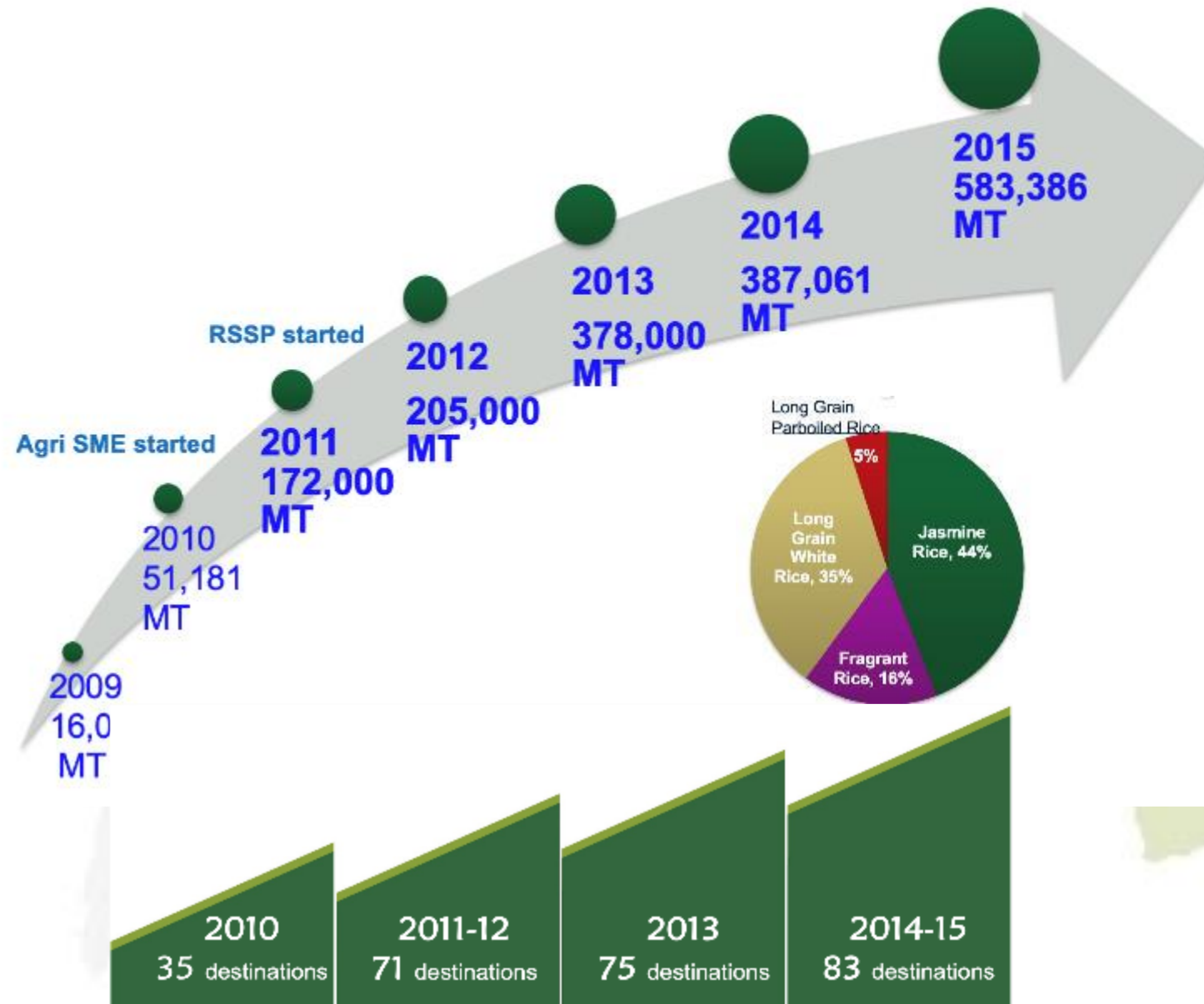


- First **Cambodian Milled Rice Standards** developed since 1956.
- First **Cambodian Exporters Compendium** and **Rice Export Portfolio**.
- First time **DNA fingerprint of Cambodian fragrant rice varieties**, a benchmark for purity analysis and creating market confidence.
- Eleven **Cambodian rice mills FS certified**. Produced FS training manuals.
- First time participations of **Cambodian rice millers/exporters in international trade fairs** such as Thaifex-Anuga, SIAL, and TRT/WRC, etc.
- Organised **in-country export promotion initiatives**.
- First and second **Cambodian Rice Festival**, raising national and international awareness and promotional momentum.
- **Market study missions** with exporters to **USA, EU and China/HK**.
- Facilitated first **National Brand of Cambodian rice**.
- Established **Technical Working Groups on Rice Standards and Exports**.
- Supported setting-up and functioning of **industry bodies (FCRE, CRF)**.
- Expansion into **new markets: from 35 destinations in 2010 to 83 by 2015**
- Winner of “**World’s Best Rice**” awards in 2012, 2013, 2014; {& 2018, 2022}
- Promotion of growing Cambodian rice sector triggered a rapid **increase in FDI**.



- <https://www.facebook.com/profile.php?id=100063849751243>
- <https://www.facebook.com/WorldsBestRice>
- <http://theworldsbestrice.com>

CAMBODIA'S RICE SECTOR IMPRESSIVE GROWTH



USEFUL LESSONS LEARNED FROM IMPLEMENTING THE PROJECT IN CAMBODIA, LATER USED IN OTHER COUNTRIES



- **Market-Driven Holistic Value Chain Development** (upon VC mapping and analysis).
- **Identifying and working with committed Lead Firms:**
 - (a) in their own interest (participative, and financially contributing, not for free) and
 - (b) together on the enabling environment of the sector to the benefit of all.
- **Working the Value Chain** continually **in all directions**, “Farm ⇌ Firm ⇌ Fork”, **and across**, the enabling environment.
- **Facilitating access to Finance** (financial literacy training, making VC actors bankable).
- **Partnering with off-takers and potential investors** as per the market-driven principle.
- **Focus on Sustainability** of the development is imperative.
- **Working with Partners**, including associations, particularly needed for buy-in and/or support.
- **Infrastructure Development**, esp. in areas like irrigation, logistics, storage, and access to stable & affordable energy.
- **Inclusion of Smallholder Farmers** to secure large supply base and ensuring that the benefits of industrialization are widespread and help in reducing poverty and promoting economic development at the grassroots level.
- **Promotion of Sustainable Farming Practices**, like the System of Rice Intensification (SRI) and guidelines of the Sustainable Rice Platform (SRP) is fundamental to environmental protection (Water use, Green House Gases (GHG) reduction), economical savings, enhanced productivity, and gains to farmers’ income and well-being. This is critical to ensure long-term sustainability of the rice sector.

REFERENCES (HYPERLINKED)



- ❖ [Transforming Cambodia's Rice Industry](#)
- ❖ [Transforming the Rice Industry and Building Export Capacity in Cambodia](#)
- ❖ [Cambodia Rice, Export Potential and Strategies](#)
- ❖ [Case Study: Modernizing the Rice Sector in Cambodia](#)
- ❖ <http://theworldsbestrice.com>
- ❖ [For the Cambodia Rice Federation to sustain the development and transformation of the Rice Sector.](#)



THANK YOU FOR YOUR ATTENTION!

I will be happy to answer any questions you may have.



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Reserve Slides

RICE SECTOR IMPACT ON POVERTY

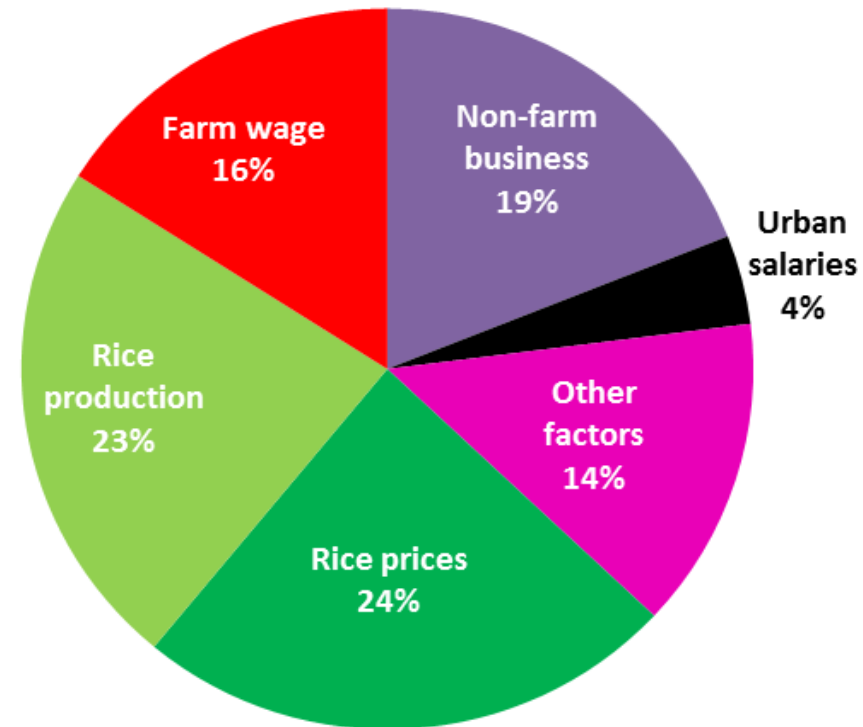


The fast poverty reduction was driven by increases in rice prices and related increases in rice production and rural wages

Key drivers of poverty reduction 2004-2011

Increased rice prices & rice production account for 47% of the poverty reduction.

Related increases in farm wages account for another 16% of the poverty reduction.



Source: WB

[Where Have All The Poor Gone? Cambodia Poverty Assessment 2013](#)

CAMBODIAN RICE ECONOMY DATA, AT PROJECT END (2016)



- ✧ 71% of the population depend on agriculture.
- ✧ 2.9 million ha agricultural land, 84% rice cultivation, engaging 80% of all farmers in rice production.
- ✧ 9.3 million tons (MMT) annual paddy production (10.9 MMT in 2020) with about 3.15 tons/ha.
- ✧ 3.35 MMT exportable surplus (2.08 MMT milled rice equivalent).
- ✧ Fragrant (Jasmine) Rice Awarded – “The World’s Best Rice” over 3 consecutive years (2012-14).